



CITY of LOWELL

Fiscal Year 2024 Fiscal Policies

Thomas A. Golden, Jr., City Manager
Conor Baldwin, Chief Financial Officer
Austin Ball, Deputy Chief Financial Officer



Lowell City Council:

Sokhary Chau, Mayor | John Drinkwater | Erik Gitschier
Wayne Jenness | John J. Leahy | Rita Mercier
Vesna Nuon | Corey Robinson | Daniel Rourke
Kimberly Scott | Paul Ratha Yem

Cover photo Credit: Henry Marte of Marte Media

 Please consider the environment before printing this document!

A digital version of this document is available for download from the City of Lowell website at www.lowellma.gov. This document uses the Times New Roman font set, and includes various internally embedded and cross-referenced links to assist with information access.

While we would prefer to discourage printing of this document because of its impact on the environment, this document does include a mirrored margin offset designed to facilitate landscape/duplex printing/binding with blank pages inserted for readability purposes.

This document contains various images and content from a variety of sources; all copyrights are reserved by their respective originators.

© City of Lowell 2023



City of Lowell

Annual Budget (Book 2)

For the 2024 Fiscal Year (7/1/2023 – 6/30/2024)

* Transmittal Letter	I
* Summaries	II
* Financial Plan	III
* Departmental Details	IV
* Capital Plan	V
* Appropriation Order	VI
Fiscal Policies	VII
* Appendices	VIII
* Index	IX

* These sections are contained within Book 1.

(This page intentionally blank)



The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for Distinguished Budget Presentation to the City of Lowell for its annual budget for the fiscal year beginning July 1, 2022.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operation guide, as a financial plan and as a communication medium.

While the award is valid for a period of one year only, we believe our current budget continues to conform to program requirements, and we are submitting it to the GFOA to determine its eligibility for another Distinguished Budget Presentation Award.

(This page intentionally blank)

SECTION VII – FISCAL POLICIES **1**

Message from the Chief Financial Officer 3

General Financial Practices, Procedures, and Policies 4

 Financial Management Team Policy 9

 Submission of Budget and Budget Message Policy 11

 Balanced Budget Policy 13

 Grant Administration Oversight Policy 17

Auditing Practices, Procedures, and Policies 21

 Enterprise Fund Policy 23

 Law Enforcement Trust Fund (LETF) Policy 27

 Accounts Payable Policy 33

 Travel Allowance & Reimbursement Policy 37

 COSO Internal Control Framework Reserve Policy 39

Treasury Practices, Procedures, and Policies 73

 Investment Policy 75

 Debt Management and Capital Investment Policy 81

 Reserve Policy 95

 OPEB Funding Policy 99

 Continuing Disclosure Policy 109

 Cash Receipt Policy 115

Purchasing Practices, Procedures, and Policies 121

THE CITY’S FINANCIAL BASIS, POLICIES, AND PRACTICES

Reserve System Ordinance 123

Credit Card Policy 125

Procurement of Goods and Services..... 129

Technology Practices, Procedures, and Policies 145

 Technology Policy 147

 General Use Policy 149

 Computing Ethics Policy 151

 Password Policy..... 153

 Cybersecurity Policy..... 155

 Social Networks and Social Media Policy 157

 City Issued Device Policy..... 161

 Personal Device Use Policy..... 163

 ID & Access Badge/Credentials Policy..... 165

 Duty to Care for and Responsibility to Maintain City Technology and Materials Policy 167

FISCAL YEAR

2024

SECTION VII

FISCAL POLICIES

General information about the City of Lowell's financial policies, guidelines, and best practices.

CONOR BALDWIN
CHIEF FINANCIAL OFFICER

(This page intentionally blank)



The City of **LOWELL** *Alive. Unique. Inspiring.*

Conor Baldwin, *Chief Financial Officer*

MESSAGE FROM THE CHIEF FINANCIAL OFFICER

The City of Lowell has worked diligently to build, implement, and maintain strong fiscal policies that are used as the guiding principles to the city's day to day finance operations. These policies are intended to provide direction so that the City's finances are managed in a manner that will continue to provide for the delivery of quality services; ensure a balanced budget; and establish reserves necessary to meet known and unknown future obligations. The City of Lowell believes with these policies in place it can ensure fiscal sustainability, which means maintaining a long-term view of financial planning that anticipates and proactively addresses risks to preserve and enhance quality of life and service as identified and prioritized through city council input.

While fiscal sustainability and long-term preparedness stand as the main objectives behind the fiscal policies, they also serve to:

- Ensure the City operates under financial controls that are in accordance with all Federal, State, and Local laws and direct its financial resources towards meeting the City's goals.
- Guide the City Council, City Manager, and all city departments to make informed and accountable decisions that best reflect the economic, social, and environmental impacts of all issues.
- Promote transparency in all our financial endeavors by providing accurate and timely information on the City's financial condition.
- Maintain internal controls that ensure the legal use of financial resources.

Finally, it is also important to note this section of the budget is intended to establish a set of financial management policies but not the procedures essential to carry out these policies. As previously noted, policies are the terms and conditions which guide and direct the City in making financial management decisions. Policies can be fluid in nature and are consistently evaluated to ensure they support our financial goals and strategies.

GENERAL FINANCIAL PRACTICES, PROCEDURES, AND POLICIES

One of the principal reasons the City of Lowell has seen its standing in the financial community elevate within the last decade is its development and implementation of a long-term financial plan. To compliment this plan—and of likewise importance—has been the formulation of strong financial policies, recommended by the City Manager and adopted by the Lowell City Council each year along with the annual budget. This plan is reviewed on an annual basis in conjunction with the city's bond sale and credit rating application process. However, the Finance Team regularly updates the five-year forecast to include the most recent actuals on a quarterly basis, and uses this data internally in order to better respond to challenges that occur in the short- and medium-term.

The budget for the current fiscal year is used as the base year upon which future year projections are built. All expenditures, revenues and property valuations are reviewed to ensure that the timeliest information is available to be used for future year projections. The budget for the current year is also compared to the projections for that year from previous five-year plans to determine the accuracy of the projections. If modifications to the projection process are needed to ensure more accuracy, the city's financial staff will make changes accordingly. After careful review, this plan is submitted to the rating agencies prior to their review of the city's financial condition. This plan serves as a basis upon which important decisions concerning the city's financial future are made.

Most recently the rating agency, Standard & Poor's (S&P), affirmed Lowell's stable outlook and affirmed their **Financial Management Analysis of Lowell's fiscal management as 'very strong'** during a bond issue in July of FY2023. The rating rationale was based on a number of factors, among them were:

- Very strong management, with "strong" financial policies and practices under [S&P's] Financial Management Assessment methodology;
- Very strong liquidity, with total government available cash at 18.6% of total governmental fund expenditures and 5.7x governmental debt service, and access to external liquidity we consider strong;
- Strong management and historically conservative budgeting practices, which have allowed the city to maintain stable financial operations over several years.

When detailing the management conditions, S&P wrote:

“Strong management and historically conservative budgeting practices have allowed the city to maintain stable financial operations over several years. Despite early concerns for revenue reductions because of the pandemic, management did well to manage its costs with the support of stimulus funds, which the city used in certain situations to support the budget. Lowell was able to produce a sizable surplus at the close of fiscal 2021, increasing budgetary reserves to strong levels. For fiscal 2022, the city estimates another operating surplus for similar reasons, although not as robust.” (S&P Credit Report, July 2022)

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(GENERAL POLICIES CONTINUED)

The rating agencies have recognized the conservative nature of the City's budgeting and financial management processes. In the area of debt issuance, it is particularly important to maintain all of the relevant indices at or below national standards. These indices are detailed later in this section.

In fall of CY2022, the ratings agencies remarked further on Lowell's stable financial position with the following statements:

“Officials are conservative with revenue and expenditure assumptions, and they consider historical trends when developing the budget. They have the flexibility to amend the budget as needed, and management monitors performance regularly and makes monthly reports on budget-to-actual results to the city council. It performs formal financial forecasting and maintains a five-year capital improvement plan it updates annually. Management also maintains a formal reserve policy that requires reserves, including free cash and stabilization funds, but excludes the commonwealth-mandated Chapter 17 special stabilization fund, to remain at 5%-10% of general operating revenue. Lowell follows an internal investment policy and reports on investment holdings and earnings annually. Finally, the city maintains a debt policy that caps debt at 1.5% of total AV and debt service at 10% of general fund revenue.

We note in September 2018, the city developed and adopted an OPEB policy to address the financial challenge those liabilities pose. The policy dedicates an annual appropriation into the budget, beginning in fiscal year 2020, of 10% of the annual certified free cash total to the OPEB trust. Lastly, the city maintains a Computer Use Policy, which it established in 2018. The intent of the policy is to mitigate cyber security breaches and ensure that the technology resources made available to employees are responsibly managed. Lowell's financial reserves are at its strongest level and budgetary performance remains steady with the aid of ARPA and CARES Act funding”

(GENERAL POLICIES CONTINUED)

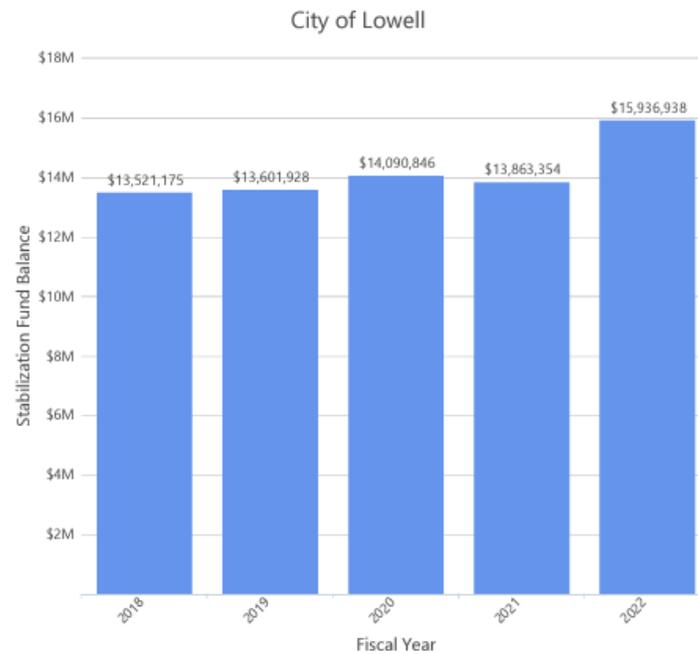
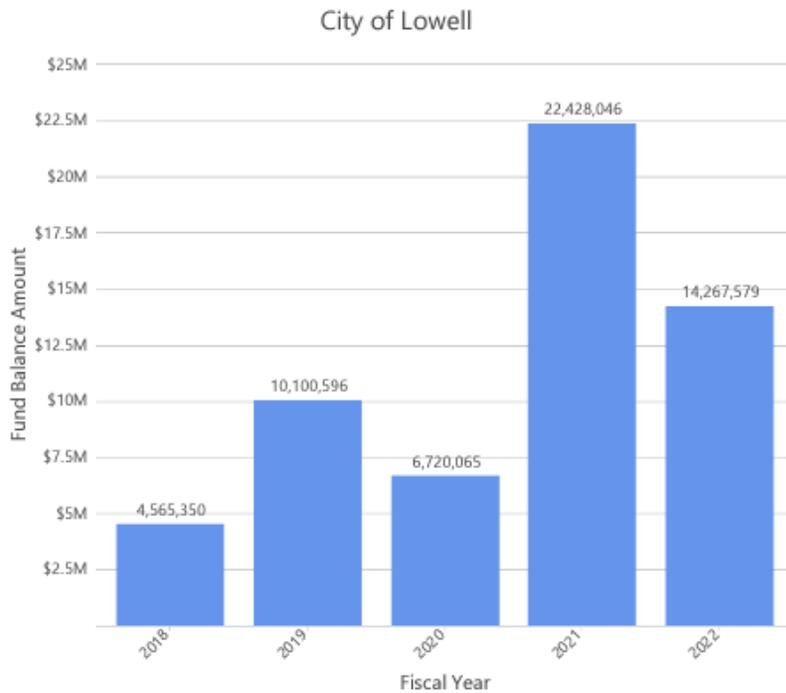
The following chart compares selected ratios of Lowell (in accordance with City of Lowell financial policies) with historical data, as reported to the Massachusetts Department of Revenue (“DOR”)¹.



Data Analytics and Resources Bureau
 Category 1 - Unreserved Undesignated Fund Balance (UUFB)
 Data current as of 05/30/2023



Data Analytics and Resources Bureau
 Category 1 - Stabilization Fund Balance
 Data current as of 05/30/2023



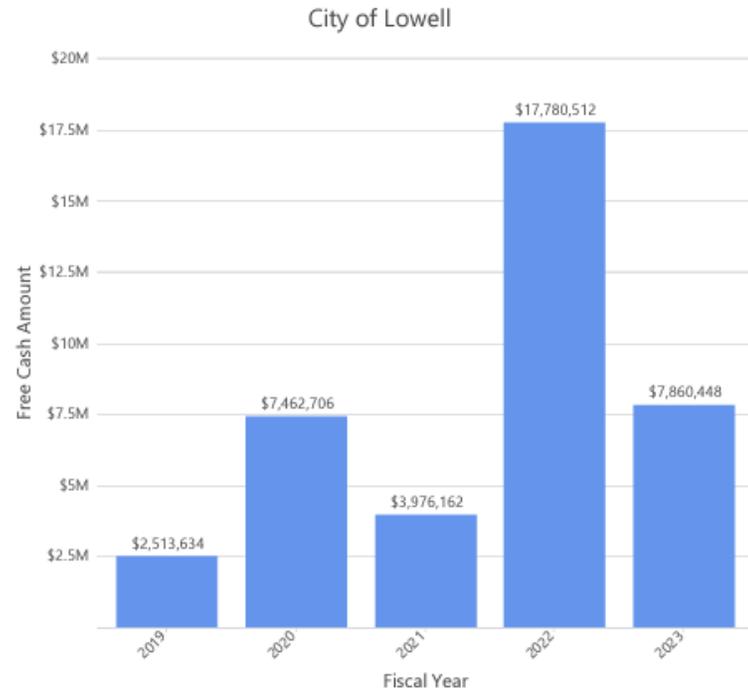
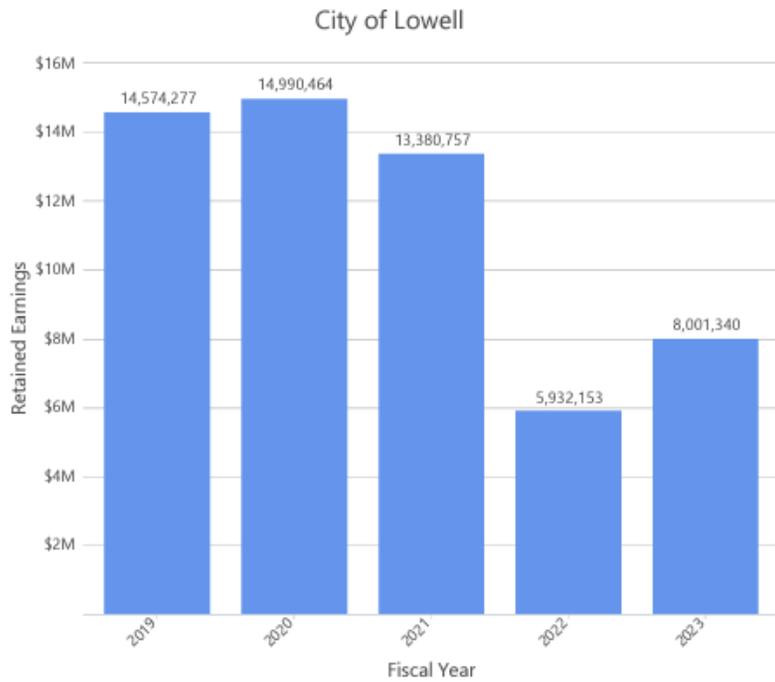
¹ Official Data from: the Department of Revenue’s municipal databank (<https://www.mass.gov/municipal-databank-data-analytics-including-cherry-sheets>, retrieved 21 March 2020).



Data Analytics and Resources Bureau
 Category 1 - Enterprise Fund Retained Earnings
 Data current as of 05/30/2023



Data Analytics and Resources Bureau
 Category 1 - Certified Free Cash
 Data current as of 05/30/2023



(This page intentionally blank)

FINANCIAL MANAGEMENT TEAM POLICY

EFFECTIVE DATES Implementation Date 07/01/2018 Last Revision Date 05/30/2023

I. BACKGROUND AND PURPOSE

A formal, financial management team provides an operational framework that can maximize effectiveness of financial practices by promoting optimal coordination of interdepartmental activities and long-term planning. Regular team meetings serve to enhance the City Manager’s ongoing insight into progress on fiscal objectives and provide a valuable analytical resource for budget decision making.

Another important benefit of the financial management team approach is institutional continuity during times of turnover in financial offices. Team meetings open lines of communication among finance officers and reinforce awareness of their interdependence. These meetings help team members identify critical junctures, consider strategies to deal with anticipated areas of concern, and establish agreement about goals, deadlines, and each individual's role in meeting common objectives.

II. APPLICABILITY

This policy applies to the Chief Financial Officer, City Auditor, Deputy Chief Financial Officer (CFO), Treasurer/Collector, Assessing Board Chair, Chief Procurement Officer (CPO), School Business Manager/ CFO, Chief Information Officer (CIO)/ Information Technology Director, and Human Resource Director.

III. POLICY STATEMENT

Pursuant to the Ordinance creating the Finance Department ([§20-62 of the Code of Ordinances of the City of Lowell](#)), the City established a Financial Management Team consisting of—organizationally—the Chief Financial Officer, Deputy Chief Financial Officer (CFO), Treasurer/Collector, Assessing Board Chair, Chief Procurement Officer (CPO), Chief Information Officer (CIO), and their respective departments and employees. In addition, pursuant to this policy, the Council formally adopts and approves of the immediate coordination and cooperation, but not direct oversight and management, between the aforementioned officers and departments with the City Auditor, Human Resource Director, School Business Manager/ Assistant Superintendent, and their relevant subordinates and departments.

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(TEAM POLICY CONTINUED)

Meetings of the financial team will be scheduled at a consistent time each month and more frequently when necessary. Agenda topics may include, but are not limited to the following:

- Status of projects requested by the City Manager, City Council, or School Committee;
- Review of revenue and expenditure reports and analysis of cash flow;
- Financial forecasting (e.g., discussion of new growth, fees, etc.);
- Analysis of capital funding sources;
- Creating and reporting on corrective action plans in response to management letter;
- Citations by the independent auditor;
- Reviewing the effectiveness of internal controls and proposing internal audits;
- Analysis for collective bargaining negotiations;
- Coordinating annual submissions/ reports to the Division of Local Services (and Department of Revenue).

IV. REFERENCES

- Division of Local Services Best Practice: [Financial Management Team](#)
- Standard & Poor's article: [The Top 10 Management Characteristics of Highly Rated U.S. Public Finance Issuers, 2012](#)

SUBMISSION OF BUDGET AND BUDGET MESSAGE POLICY

EFFECTIVE DATES Implementation Date 07/01/2018 Last Revision Date 05/01/2023

I. BACKGROUND AND PURPOSE

Two important principles of public budgeting are clarity and publicity. The GFOA considers the preparation of the annual budget document of great importance in providing detailed financial information and also explaining the key issues that face the community. It is also important to broadly distribute this information to the staff, elected and appointed officials and the general public in order to give them a greater understanding of the operations, financing and key issues confronting the community.

II. POLICY STATEMENT

The City Manager’s budget proposal to the Lowell City Council shall provide a complete financial plan of all general and enterprise funds and activities for the ensuing fiscal year, an accompanying budget message, and supporting documents. The budget message, and the accompanying budget document, shall explain the proposed budget for all city departments in fiscal terms and in terms of work programs, including accomplishments, goals, and performance measures, as well as how the data included therein aligns with the City Council’s goals and the City Manager’s key priority areas. It shall outline the proposed financial policies for the city for the ensuing fiscal year, describe the important features of the budget, indicate any major differences from the current fiscal year in financial policies, expenditures, and revenues, together with the reason(s) for such changes, summarize the city's debt position, and include such other material as the City Manager’s finance team deem desirable or the City Council may reasonably require. The City Manager shall work to maintain a budget document that meets the high standards of the Government Finance Officers Association “Distinguished Budget Presentation Award Program.”

III. REFERENCES

- Accurately Displaying Total Expenditures in Budget Presentations (Budget Consolidation), January 2016 (<https://www.gfoa.org/accurately-displaying-total-expenditures-budget-presentations-budget-consolidation>);
- Departmental Presentation in the Operating Budget Document, January 2012 (<https://www.gfoa.org/departmental-presentation-operating-budget-document>);
- Making the Budget Document Easier to Understand, February 2014 (<https://www.gfoa.org/making-budget-document-easier-understand>);
- The Statistical/Supplemental Section of the Budget Document, October 2005 (<https://www.gfoa.org/statisticalsupplemental-section-budget-document>)

BALANCED BUDGET POLICY

EFFECTIVE DATES Implementation Date 07/01/2018 Last Revision Date 05/01/2023

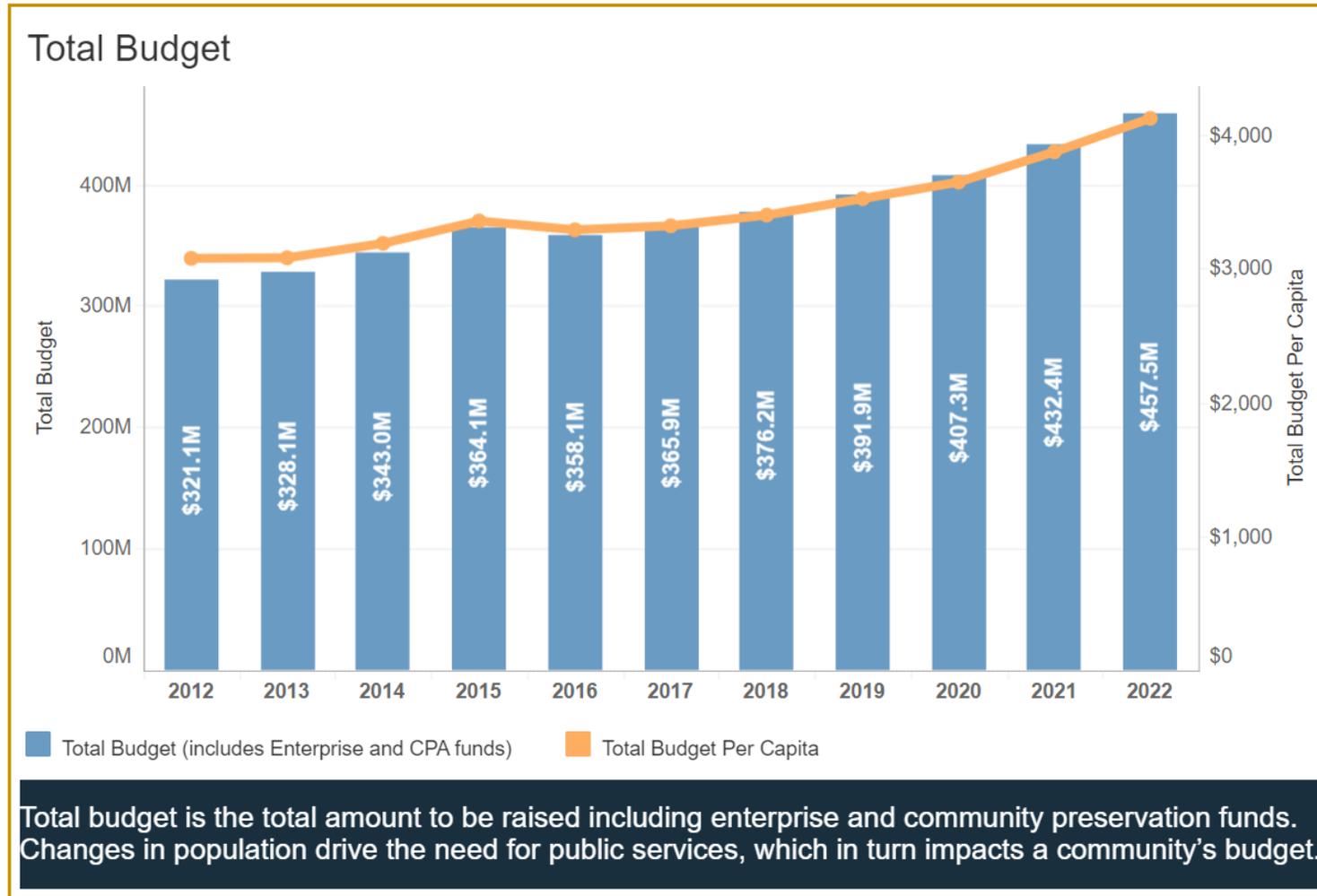
I. BACKGROUND AND PURPOSE

All Massachusetts municipalities are required by state law to prepare balanced annual budgets. The Government Finance Officers Association (GFOA) notes a true structurally balanced budget is one that supports financial sustainability for multiple years into the future.

II. POLICY STATEMENT

The Lowell City Council shall adopt balanced budgets in which current revenues (non-one-time) equal or exceed current expenditures, upon recommendation annually by the Lowell City Manager. Expenditures shall be realistically budgeted and estimated revenues shall be conservatively budgeted to allow for unanticipated events. The City Manager, and the Manager’s finance department, shall present said estimates and assumptions behind revenue estimates along with the balanced budget. The City Manager will endeavor not to balance the budget by using one-time or other nonrecurring revenues to fund ongoing expenditures and, to the extent that such revenues exist from prior years, will continuously strive to reduce and/or eliminate the use of such revenues as a component of the overall financing strategy. The City will not use budgetary procedures that balance the budget at the expense of future years, such as postponing or deferring payment of expenses already incurred, accruing future year revenues, or rolling over short-term debt to avoid making principal payments for more than one year. The City Manager’s proposed budget shall also support a financially sound operating position by maintaining reserves for emergencies and providing sufficient liquidity to pay bills on time and avoid revenue anticipation borrowing.

III. POLICY DATA



IV. REFERENCES

- M.G.L. c.44, §32 (<https://malegislature.gov/Laws/GeneralLaws/PartI/TitleVII/Chapter44/Section32>)
- M.G.L. c.43, §104 (<https://malegislature.gov/Laws/GeneralLaws/PartI/TitleVII/Chapter43/Section104>)
- Lowell Code of Ordinances, Article XIII § 20-62:66 (<https://ecode360.com/32422394>)
- Achieving a Structurally Balanced Budget, Government Finance Officers Association Best Practice, February 2012 (<https://www.gfoa.org/achieving-structurally-balanced-budget>)

(This page intentionally blank)

GRANT ADMINISTRATION OVERSIGHT POLICY

EFFECTIVE DATES Implementation Date 01/04/2016 Last Revision Date 05/30/2023

I. BACKGROUND AND PURPOSE

Municipalities in Massachusetts often receive significant grants from other governments and organizations to support their programs and activities. Often times these grants come with requirements that apply to operations, compliance, sub-recipient monitoring and/or reporting. Typically there are negative consequences for failing to meet these requirements, such as the need to return funds to the grantor. Likewise, a grant may result in a program that continues, or an asset that must be maintained, well beyond the expiration of the grant.

To help avoid these negative consequences or unanticipated burdens, the Government Finance Officers Association (“GFOA”) recommends that governments create both a grant administrative oversight policy (grant policy) and a grant administrative oversight committee (oversight committee) to ensure adherence to that policy.

A centralized grant oversight committee should analyze grants before they are accepted, renewed, or continued to determine whether acceptance, renewal, or continuation would be appropriate or advisable, considering the City of Lowell’s current operational and financial status. The GFOA recommends that a grant oversight committee be both interdisciplinary and permanent, and meet no less frequently than once each quarter.

II. POLICY STATEMENT

In accordance with the best practices promulgated by the GFOA and the Massachusetts Division of Local Services (“DLS”), the following policy is hereby established. All Department Heads in the City of Lowell, not including the School Department, shall take certain steps before applying for or accepting any grants. Those steps include the submission of all grant-funded programs or assets to a grant oversight committee to be considered and evaluated before making a decision to renew or continue. All requests are to be submitted by the requesting department, upon the written approval of the Department Head by email to grant to: grantcommittee@lowellma.gov. Requests are to be made using a form approved by the grant oversight committee and include all relevant financial details regarding the grant application, award, and monitoring requirements. Department Heads are to submit applications with as much advance notification as reasonably possible prior to the application deadline.

The composition of the oversight committee shall consist of the following five (5) *ex-officio* employees:

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(GRANT OVERSIGHT POLICY CONTINUED)

- I. The Chief Financial Officer (CFO), Deputy CFO, Assistant City Manager, City Auditor, City Treasurer/ Collector.

The committee shall also include the following:

- II. One Department Head or other senior city employee having expertise in the application for—and monitoring of state and federal grant programs. This position should be rotated on a periodic basis and shall serve at the pleasure of the City Manager.

In addition to the permanent members of the committee there shall be flexibility to appoint subject matter experts, on an *ad-hoc* basis, to help address specialized situations. For example, there may be a need to deliberate human resources or legal issues. Depending on the need for these ad hoc members they may only need to be included for a short period of time.

The committee will be involved before applying for, accepting, renewing, or continuing a grant to ensure that all of the following occur:

- i. A department or agency that it is seeking a new grant or renewing an existing grant notifies the committee of its intent, which prompts the committee to analyze all applicable grant requirements before a decision to accept or renew is made;
- ii. A department or agency seeking a grant describes to the committee how the grant is consistent with the City Manager & City Council's mission, strategic priorities and/or adopted plans. The fact that the grant would provide additional funding for a department is not reason, of itself, to attempt to obtain the grant;
- iii. A department or agency seeking resources performs a cost/benefit analysis prior to grant application or acceptance. As necessary, the department should perform the analysis with assistance from those with special expertise (e.g., engineers). This analysis would also include costs that the government may incur at the expiration/termination of the grant and costs that may be incurred because of requirements for the government to continue certain activities/programs after the grant expires/terminates (see points 7 and 8 below);
- iv. Oversight responsibility (both departmental and individual) is assigned for any new or renewed programs or activities that result from the grant, including responsibility for the financial reporting required by the grant;
- v. It is determined how the grant will be monitored, including the monitoring of any sub-recipients that may receive pass-through grants;
- vi. It is determined that proper resources will be available to support the grant (e.g., financial, human resource, information technology, etc.);

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(GRANT OVERSIGHT POLICY CONTINUED)

- vii. There is an evaluation of the potential need for the government to incur personnel costs after the term of the grant. Such costs could be for personnel that will terminate with the expiration/termination of the grant (e.g., severance, unemployment, etc.), or costs that the City of Lowell may incur because of a need to retain employees for a specified period after the grant expires/terminates (e.g., a public safety grant that requires law enforcement personnel to remain employed for a specified period of time); and
- viii. There is an evaluation of the potential that the government will incur operating and maintenance costs for assets after the expiration of the grant.

Prior to submission to the City Council for acceptance, the grant committee shall recommend approval to the City Manager or, in the case that the committee does not recommend approval to the City Manager, shall present an analysis as to rational for non-approval to be taken under advisement by the City Manager.

Once the grant has been approved by the City Council and award has been made by the Grantor, the relevant Department Head will notify the City Auditor and City Treasurer once the grant funds have been disbursed, so that they can be accounted for properly on the city's General Ledger.

III. POLICY DATA²

The City of Lowell's annual operations are funded in large-part by grants. The following is an aggregate total of operating grants and contributions to the city's governmental activities, as reported below:

² *Data Source:* City of Lowell's Audited Financial Statement, FY2019. The statements can be viewed here: <http://lowellma.gov/DocumentCenter/View/11818/Lowell-FY2019-Financial-Statements>

THE CITY’S FINANCIAL BASIS, POLICIES, AND PRACTICES

(GRANT OVERSIGHT POLICY CONTINUED)

	2022	2021
Program Revenues:		
Charges for services..... \$	20,954,016	18,279,922
Operating grants and contributions.....	287,164,081	294,462,326
Capital grants and contributions.....	42,272,360	42,431,088
General Revenues:		
Real estate and personal property taxes, net of tax refunds payable.....	151,657,267	143,676,056
Tax and other liens.....	380,237	912,703
Motor vehicle and other excise taxes.....	10,328,804	9,998,448
Hotel/motel tax.....	109,798	48,093
Meals tax.....	1,470,028	1,171,773
Penalties and interest on taxes.....	854,538	1,511,353
Payments in lieu of taxes.....	1,405,928	467,544
Grants and contributions not restricted to specific programs.....	29,497,708	27,701,308
Unrestricted investment income.....	380,784	724,386
Gain on sale of capital assets.....	100,000	1,933,206
Miscellaneous.....	435,925	337,288
Total revenues.....	547,452,074	544,410,662

IV. REFERENCES

- M.G.L., Chapter 44 § 53A
- Best Practice, GFOA, *Establishing a Grants Administration Oversight Committee*. <https://www.gfoa.org/materials/establishing-a-grants-administration-oversight-committee>

AUDITING PRACTICES, PROCEDURES, AND POLICIES

The Office of the City Auditor is generally responsible for a variety of key financial tasks, all of which require clear procedures and policies including the following:

- **Financial Oversight**

The Auditor is responsible for the approval, payment and recording of all financial transactions for the City, this includes monitoring all City spending in order to ensure that all departmental expenditures correspond with state and federal laws, that expenses are accounted for and properly documented, and that spending does not exceed the budgets established by the City Council and City Manager.

- **Financial Safeguards**

The Auditor is responsible for establishing appropriate controls, policies and procedures, coordinating internal audits and analysis of City operations and programs, and implementing recommendations made by the City's outside independent auditors through the annual management letter.

- **Financial Reporting**

The Auditor is responsible for assisting the City Council in its review of the City budget, maintaining fixed assets records, and preparing the City's various reports, analysis, and public financial statements, for the City Council, State, and Federal agencies.

- **Payroll**

The Auditor is responsible for processing payrolls for all employees, including deductions, W-2 Federal and State reporting, and all accruals.

- **Accounts Payable**

The Auditor is responsible for reviewing all contracts, purchase orders, and invoices, and processes all payments made by the City.

(This page intentionally blank)

ENTERPRISE FUND POLICY

EFFECTIVE DATES

Implementation Date 07/01/2020

Last Revision Date 05/30/2023

I. BACKGROUND AND PURPOSE

The primary purpose of this policy is to provide the Lowell taxpayers with complete transparency regarding the financial self-sufficiency/ rates for the three public services of water, sewer, and public parking. Enterprise Funds provide a separate accounting and financial reporting mechanism for municipal services for which a fee is charged in exchange for goods and services. Under enterprise accounting, the revenues and expenditures of the service are segregated into a separate fund with its own financial statements, rather than commingled with revenues and expenditures of all other government activities. Enterprise Fund accounting allows the City of Lowell to demonstrate to the public the total cost of providing a service.

II. POLICY STATEMENT

A. GENERAL POLICY REGARDING CITY OF LOWELL ENTERPRISE FUNDS

Enterprise Funds (e.g., Water Funds, Wastewater Funds, and Parking Funds) shall be fully supported by the revenue derived from their rates, fees, and other revenue-generating operations. The methodology for calculating indirect costs shall be explicitly documented and agreed upon by the City Auditor, Chief Financial Officer, and each Enterprise Fund Department Head. Rates and fees for enterprise services shall be set at a level to provide for self- supporting enterprise operations, including direct and indirect costs.

Capital projects shall be financed from enterprise revenues and grants. Enterprise Funds shall be reviewed annually by the responsible department head to project revenues and expenditures for the next fiscal year and generate estimates of the current fiscal year and the projections for future years in order to prevent the need for subsidy by the General Fund operating budget. Estimates of capital project costs, debt service, and other liabilities shall be included in this analysis in order to project future enterprise fund budgets and revenues necessary to maintain self-sufficiency. Specific to the Water Enterprise, changes in the rates and/or rate structure shall be carefully analyzed prior to recommendation and implementation in order to ascertain the short and long term impact on rate payers.

B. INDIRECT COST CALCULATION POLICY

In general, Lowell prefers to charge actual costs that relate to enterprise fund activity directly to the appropriate fund. Examples of this are debt service and repair and maintenance of each enterprise's equipment. Some costs are incurred by other department or are difficult to segregate. Lowell will allocate these indirect costs to our various enterprise funds. This policy will guide the preparation of budgets and actual entries for those allocated costs.

i. Allocation Percentages

Common indirect costs will be allocated on an annual basis. The allocations will generally be based on the share of budgeted locally generated revenue in that enterprise. Locally generated revenue is defined as taxation, estimated local receipts and enterprise revenue. For example, if all locally generated revenue was \$100 million and Enterprise A generated \$5 million of that, then Enterprise A would be allocated 5% of indirect costs.

ii. Indirect Costs - Payroll

Only the payroll of departments that engage in activity that benefits enterprises will be allocated. Those departments are City Council, Mayor, City Manager, Finance, Auditing, Treasurer, Purchasing, MIS, DPW, Human Relations, and Law. In the case of Wastewater, the enterprise will be allocated a percentage of the Water Department payroll because Water employees read meters, prepare bills and manage accounts.

Personnel costs of the indirectly allocated departments are totaled and the percentage allocation described in "Allocation Percentages" is applied. To continue the example, if the total payroll of indirect departments is \$1 million, then Enterprise A would be allocated 5% or \$50,000 in indirect wages.

iii. Indirect Costs – Ordinary Expenses

The indirect ordinary expenses of the same departments listed in "Indirect Costs – Payroll" are allocated in the same manner. The theory behind this is that postage, supplies and consultants will be used in the same proportion as payroll.

iv. Health Insurance

Gross health insurance expense is recorded in the General Fund. Each year the average cost of the City's portion of health insurance per employee is calculated. This number is multiplied by the number of employees in the enterprise's budget to get the health insurance allocation for the enterprise's active employees.

The average of the City's portion of the cost of health insurance per retiree is also calculated each year. Since we do not track retirees by department, we calculate the number of retirees per active employees City-wide. Then for each enterprise multiply the number of employees in the enterprise by the number of retirees per employee and then by the average cost of health insurance per retiree. The product is the cost of health insurance for all of the enterprises retirees.

The active and retiree health insurance allocations are added to get the enterprise's total health insurance allocation for the year.

v. Pension Costs

Gross pension costs are recorded in the General Fund. Pension allocations are determined in much the same way as health insurance, except that retirees are not considered. The total pension budget is divided by the number of full-time permanent positions in the budget to determine the average pension assessment per employee. That result is multiplied by the number of budgeted employees in each enterprise fund to determine the enterprise's pension allocation.

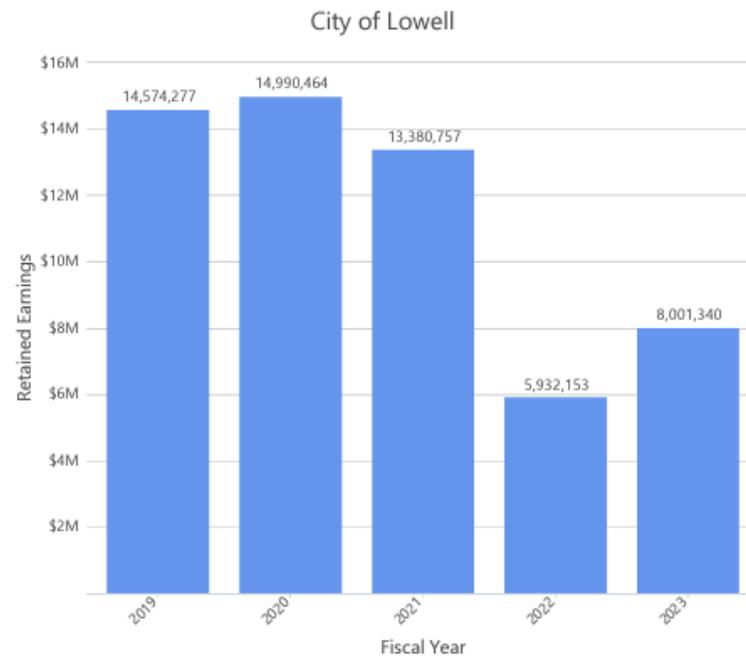
vi. Medicare Tax

Gross Medicare Tax expense is recorded in the General Fund. The allocation for Medicare tax is simply 1.45% of the enterprise's payroll. 1.45% is the employer share of the calculated Medicare Tax.

III. POLICY DATA



Data Analytics and Resources Bureau
Category 1 - Enterprise Fund Retained Earnings
Data current as of 05/30/2023



IV. REFERENCES

- M.G.L., Chapter 44 § 53F1/2
- Enterprise Funds, MA DOR Division of Local Services Best Practice

LAW ENFORCEMENT TRUST FUND (LETF) POLICY

EFFECTIVE DATES

Implementation Date 07/01/2020

Last Revision Date 05/30/2023

I. BACKGROUND AND PURPOSE

The Lowell Police Department participates in joint criminal investigations with various federal law enforcement agencies that result in the seizing of assets for federally initiated forfeiture cases. The seizing of such assets may (at the discretion of the United States) result in the sharing with the Lowell Police Department of either currency or other types of property if the federal forfeiture is successfully litigated.

II. POLICY STATEMENT

I. ASSET FORFEITURE AND EQUITABLE SHARING PROGRAM

1. The internal procedures for control and tracking of federally shared asset forfeiture cases are as follows:

A. Submitting a Request for Shared Funds

1. No later than 45 days from the seizure, the seizing detective shall create the electronic DAG-71 form in the Department of Justice's Asset Forfeiture Program Equitable Sharing eShare Portal -<https://systems.forfeiture.gov/>
2. Upon completing the DAG-71, the seizing detective shall notify, via email, the Budget Director or designee and the Superintendent's office of the submission of the DAG-71.
3. The Budget Director or designee shall review the submitted DAG-71 to ensure that the form has been properly completed.
4. The Budget Director or designee shall print a copy of the DAG-71 and forward to the following persons for approval of submission of the DAG-71: **Superintendent, Deputy Superintendent or designee.**
5. Upon receiving approval (executed DAG-71) for submission from the proper personnel, the Budget Director or designee shall electronically submit the DAG-71 via the eShare Portal - <https://systems.forfeiture.gov/>

(LETF POLICY CONTINUED)

B. Receiving Funds

Upon receiving the shared funds, the Budget Director or designee shall ensure that the monies are deposited into the proper Law Enforcement Trust Fund account, by submitting the turn-in sheet with the LETF Account number to the Auditing Department to proper posting.

C. Tracking Procedures

The Budget Director or designee shall track all requests for shared federal funds through the eShare Portal - <https://systems.forfeiture.gov/>

D. Internal Controls For Required Financial Reporting

1. The Budget Director or designee shall track all the revenue and expenditures in Quicken and the Equipment purchased using LETF fund throughout the year using the “LETF Inventory Tracking” excel file.
2. At the conclusion of each quarter, the Budget Director or designee shall:
 - a. Prepares quarterly statement of the LETF balances and the transaction detail of the expenditures processed during the reporting period.
 - b. Submits the quarterly statement (referenced in D.2.a) to Superintendent for approval.
 - c. Submits the approved quarterly statement to the Manager’s Office via email to the CFO and the City Auditor.
3. At the conclusion of each fiscal year, all shared receipts of forfeited monies and inventory of forfeited property shall be reviewed by the Budget Director or designee. The Budget Director or designee shall process and deliver the required Federal Annual Certification Report to the Department of Justice or the Department of Treasury as appropriate.

II. RETAINING EQUITABLE SHARED ASSET PAPERWORK

LPD follows the Guide to Equitable Sharing for State and Local Government Agencies records retention; Section VII.D, as well as, reports including revenue and expenditure data will be retained for five (5) fiscal years provided applicable audits have been released; in addition, the use of shared cash, proceeds, real property, or tangible personal property, including but not limited to Forms DAG-71, Equitable Sharing Agreement and Certification forms, accounting and bookkeeping documents, logs and records, bank records and statements, and audit reports shall be retained for not less than five (5) years.

III. INTERNAL CONTROL OF ADVANCE PAYMENTS FOR INFORMANTS

Informant money will be replenished by reconciliation of the expenses. This will go through the City of Lowell Procurement Process. A Purchase Order in the amount \$5,000 was approved. Money will be drawn on the purchase order by filling out the Law Enforcement Trust Fund Invoice. This report will serve as an invoice to replenish only the expenses that were paid out.

The reconciliation of the account is as follows:

- The approved Information/Contraband Procurement (ICP) Forms are compiled and forwarded to the coordinator in the Finance Office.
- The Coordinator lists all expenses from the ICP Forms on a spreadsheet by: Date, Case Number, brief description of expenses if needed with amount paid. This spreadsheet is approved by the Budget Director.
- The Law Enforcement Trust Fund Invoice will be filled out and forwarded for signatures. The invoice will then be processed through auditing department and a check will be issued.

1. Internal Control

The Information/Contraband Procurement Forms are compiled and reviewed by the Captain in charge. He will forward carbon copies of these Forms to the coordinator. This reconciliation is to confirm the expenses for this period. The Coordinator will note the available balance and reconcile with the Special Investigations Section (SIS) Supervisor to the ledger.

2. Monitoring Cash

The Check is cashed by the Special Investigations Section (SIS) Supervisor and the money is kept in the safe along with all Information/Contraband Procurement Forms. Only two SIS Supervisors have access to the safe. The disbursement of money is monitored by the SIS Supervisors to ensure the money is spent according to the guide to equitable sharing for law enforcement agencies.

(LETF POLICY CONTINUED)

3. Ledger

The SIS Supervisors maintains a Ledger Book for all withdrawals of money. The front sheets in the Ledger book give a running balance of money on hand and is reconciled by the SIS Supervisor and approved by the Captain in charge. Money is given to detectives ahead of time to aid them in completing their cases.

Example: Detective Doe receives permission from the Supervisor to receive \$100 for ongoing cases. The SIS Supervisor in charge of the ledger will write down the disbursement in the front of the ledger and also, record Detective Doe's \$100 under his name in the back of the ledger book. This Detective now owes the fund \$100, he will disburse to informant say \$20 and \$20 each separate disbursement must have an ICP Form filled out. He will turn these forms into the SIS Supervisor in charge, who will subtract the \$40 from Detective Doe's Sheet in the back of the ledger book. Once the money supply has been depleted to a level determined by the Captain in charge reconciliation will be required to issue the Law Enforcement Trust Invoice to the City Lowell.

IV. INVENTORY TRACKING

- All purchases using the Law Enforcement Trust Fund will be ordered by the Lowell Police Department Finance Division following the purchasing procedures. All LETF purchases will be authorized by the Police Chief and entered into the purchasing system and will be approved by Budget Director and CFO.
- The Budget Director will receive the equipment and update the LETF inventory tracking sheet when the equipment has been delivered to the Lowell Police Department Headquarters.

(LETF POLICY CONTINUED)

- The Budget Director will than document the equipment was received on a LETF Inventory Tracking sheet and will contact the person the equipment will be assigned to. The Inventory Tracking sheet contains the following information.

Category	Description	Age as of today
Name	Warranty	Dispose Condition
ID Tag	Expires	Dispose Date
Dept/Area	Price	Year
Assign to/Location	% of Federal Funds	Model No.
Date	Condition	Serial No.
Warrant #	Unit Value	
Supplier	Qty	
	Value	

Note: Inventory Tracking system is being explored. Once it is confirmed, the system will be replacing the excel file.

- The person assigned the equipment will be required to sign and date the Equipment assignment form when the equipment leaves the possession of the Budget Director.
- The Inventory Tracking Report will be submitted with the Quarterly Financial Report to the Manager’s Office via email to the CFO and the City Auditor.
- The physical inventory count will be conducted yearly and the records will be saved in the LETF folder.

(This page intentionally blank)

ACCOUNTS PAYABLE POLICY

EFFECTIVE DATES

Implementation Date 05/11/2021

Last Revision Date 5/30/2023

I. BACKGROUND AND PURPOSE

The primary responsibility of the Accounts Payable department (“A/P”) is the payment of the City’s expenses. To accomplish its established goals and objectives within the City and applicable federal government’s guidelines, A/P reviews all invoices from external vendors as well as internal payments to employees. It is the responsibility of A/P to ensure that each expenditure paid by the City is represented by an authorized source document (traditionally an invoice and/or purchase order), has a proper account number, and is paid in a timely manner upon receipt in the office. A/P may at times need the assistance of the department incurring an expense to assist in identifying the business purpose or other necessary information if not clearly noted on the invoice by the vendor or the department. In these instances, A/P will generally return the invoice to the department to clarify the outstanding issue. A/P will additionally return invoices for departments for other questions including ambiguous payment amounts, services that appear to be outside of business activities, etc.

II. POLICY STATEMENT

General Guidelines:

The City’s general policy is that funds should be expended only for essential City business. Additionally, the City receives grants and awards from the federal and state governments and must be in compliance with the terms of the agencies supporting the City. The IRS also has strict guidelines for employee reimbursement requirements that the City must maintain. See further details below.

Payment by the City must be supported by a source document, which in most instances is an independent, itemized invoice. The original invoice represents confirmation from a third-party that a product or service was provided to the City. Since the City has a decentralized purchasing system, the majority of invoices are received within the department that requested the product or service. All requests for reimbursement must contain the underlying detail that comprises the total expense incurred. (This means items paid by credit card must include the charge receipt and/or statement, and the supporting documentation evidencing the actual payment). Upon receipt of an invoice it is the responsibility of the department initiating the product or service for the following:

- Assess the validity of the invoice received. (Note: We pay from original invoices only, please mark any faxes or copies that may become necessary to use as "Use as Original" so we know that the department has verified the authenticity of the invoice). This includes the vendor name and payment address, actual product or service description, delivery dates, terms, cost and mathematical accuracy. Any errors on the invoice must be clearly marked.

(ACCOUNTS PAYABLE POLICY CONTINUED)

- Have an approved individual of the department sign (original signatures are required, however, the City is working on a DocuSign element), date and encode the invoice/purchase order with the appropriate full general ledger account number/PO number, including fund, department and object codes. **This approval validates that the invoice represents a product or service with a business purpose.**
- Forward the approved invoice to A/P within an appropriate time to take advantage of offered discounts when applicable or to otherwise meet the minimum terms. An invoice received in A/P signifies that the approving department is validating the business expense and all data on the invoice.

It is the general policy of the City to directly mail checks to vendors from the Treasurer's Office. This policy is to establish effective internal controls over checks and reduce administrative time.

Payment Cycle:

In general, it is the policy of A/P to make payments to the City's vendors with sufficient time to either take advantage of offered discounts, or to comply with the terms noted on their respective invoice. This policy is impacted by factors including the timely receipt of a valid, approved invoice. While it is important to comply with the vendor's terms for continued favorable pricing and relationship maintenance, we are also cognizant of fundamental cash management and attempt to limit the time an invoice would theoretically remain "prepaid". Generally, approval of an invoice and payment should occur after the product/service is received. Be aware that ordering goods or services near fiscal year end should be avoided, the state procurement guidelines indicate that a good has to be received or a service rendered by fiscal year end in order to use funds appropriated.

New Vendors:

The tax status of a vendor must be established prior to making payment. To set up a new vendor, include the appropriate form as described below with the payment request:

- **U.S. Person/Entity:** Obtain from the new vendor a completed IRS Form **W-9**, Request for Taxpayer Identification Number and Certification.
- **International Person/Entity:** If the vendor is an individual who is not a US Citizen or Resident, a **Foreign National Information Form** and an **IRS Form W-8BEN Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting** (Individuals) must be provided. If the vendor is a business entity, obtain an **IRS Form W-8BEN-E Certificate of Status of Beneficial Owner for United States Tax Withholding and Reporting** (Entities).

Payment for Services:

Any payments made to an independent contractor or an unincorporated vendor for services require the City to prepare and mail an IRS Form 1099 for US persons/entities or an IRS Form 1042-S for International persons/entities performing services in the U.S., after the calendar year-end. Per IRS regulations the City must receive from a service provider either a completed and signed Form W-9 or a Foreign National Information Form to ensure proper tax treatment.. The appropriate tax form must have been filed with the Purchasing Department prior to payment of services. The Foreign National Information Form, if applicable, is needed for each time service is provided.

Employee reimbursements/expenses:

Some expenses, while ordinary and necessary for an employee's work, are considered personal, living or family expenses and thus cannot be paid or reimbursed as business expenses. Common examples are regular commuting expenses, personal use of company vehicles, and reimbursement for certain clothing. Payment of such personal expenses constitutes taxable income to the recipient. Certain de-minimis benefits, defined as any property or service that is provided to an employee that has so little value that accounting for it would be unreasonable or administratively impracticable, may be provided tax free. Examples include personal use of an office copier machine or an office water cooler.

The IRS distinction between business and personal expenses can be complex and the following expenses require additional diligence in ensuring that the expense is reasonable and supports a business purpose:

Travel and Meals- Reimbursements for travel expenses follow the same general guidelines noted above for payments to vendors. Ensure that a valid business explanation is noted on the request. All requests for reimbursement must contain the underlying detail that comprises the total expense incurred. Out of state travel needs to be approved by City Council vote beforehand. It is important to remember that travel expenses should fit into the classification as required for events necessary to administer City business.

Clothing including Uniforms - The IRS allows for nontaxable clothing, including uniforms to be provided or reimbursed to employees in limited situations.

- **Working condition fringe benefit:** In general the employee must wear the clothes as a condition of employment and the clothes are not suitable for everyday wear in any situation. Both conditions must be met in order to be treated as tax free. Examples of items that qualify are safety items, i.e. safety goggles, steel toe work boots and other clothing required by OSHA regulations; and specific uniforms; such as campus police.

(ACCOUNTS PAYABLE POLICY CONTINUED)

- **De Minimis fringe benefit:** Items of clothing of low value may be treated as non- taxable if provided *infrequently* to an employee. Examples include t-shirts provided on an annual basis for special events or a single item bearing the City's name on an employee's uniform.

The following are generally not considered valid business expenses and are therefore not reimbursable (this list is not meant to be all inclusive):

- Floral arrangements
- Fruit baskets
- Gift card purchases
- General gifts for employees, other than those authorized by Human Resources
- Retirement expenses including dinners, parties or gifts

This policy is subject to periodic modification to coincide with changing business issues and external guidelines or regulations. Any changes to the policy will be made directly within this document, and only those modifications that are substantive in nature will require additional communication to the City.

TRAVEL ALLOWANCE & REIMBURSEMENT POLICY

EFFECTIVE DATES

Implementation Date 10/25/1995

Last Revision Date 05/20/2023

I. BACKGROUND AND PURPOSE

The City of Lowell recognizes the need to reimburse employees who incur certain expenses essential to the transaction of official city business,. Any expenses to be reimbursed must be approved in advance, and in order to comply with IRS regulations, and avoid reimbursements from becoming taxable to the employee, all expenses require a valid business purpose, accurate record keeping, and timely submission for reimbursement.

II. POLICY STATEMENT

AUTHORIZATION: A Department Head or person in higher authority shall have the sole discretion in authorizing employees to expend personal funds for said purpose. Employees who have not received prior authorization from the correct authority will not be eligible to be reimbursed for expenses incurred.

APPROVAL: In order to be reimbursed an employee must submit travel reimbursement requests to the City Auditor within 45 days of the date of travel.

ELIGIBLE EXPENSES: Any employee who is authorized to use their personal motor vehicle in conjunction with conducting city business shall be reimbursed for mileage expenses at the per mile rate currently approved by the Internal Revenue Service. Employees will be reimbursed for miles traveled to the location from work, or miles travelled from home to the location, whichever is less. Employees who use other modes of transportation such as bus, taxi, airplane, motor rail or train will be reimbursed for the cost of the fare upon submission of a receipt for such expense(s). Travel expense may also include tolls and parking fees that are charged on route to the designated location and/or return trip (documentation is required). Parking or other traffic violations or maintenance charges do not apply. The City Auditor may require any other additional proof of expenditure such as copies of notices, vouchers, receipts, and canceled checks, prior to reimbursement.

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(REIMBURSEMENT POLICY CONTINUED)

LODGING AND MEALS: The city will allow a fixed per diem rate of \$50.00 per day³, for each day that an employee is traveling while conducting official city business. Reimbursement for meals may include gratuities up to 15% for breakfast/lunch and up to 20% for dinner, and other incidentals (excluding alcohol). Meal allowance and reimbursement forms are to be completed by all employees who wish to be compensated for meal expenses each month that they are incurred.

AIRFARE: Employees are required to use the lowest available coach accommodations for all flights.

³ Under review per City Council initiative in 2023 – to be reviewed by finance department for FY2024.

COSO INTERNAL CONTROL FRAMEWORK RESERVE POLICY

EFFECTIVE DATES

Implementation Date 07/01/2020

Last Revision Date 05/01/2023

I. BACKGROUND AND PURPOSE

“COSO” is an acronym for the Committee of Sponsoring Organizations. The committee created the framework in 1982, with various updates since, as a system which may be used to establish internal controls to be integrated into business processes. Collectively, these controls are designed to provide reasonable assurance that the organization is operating ethically, transparently, and in accordance with established industry standards.

II. POLICY STATEMENT

The City of Lowell has adopted the internal control framework promulgated by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO is sponsored by, among other organizations, the American Institute of Certified Public Accountants and the Institute of Internal Auditors. COSO broadly defines internal control as a process, affected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

1. Effectiveness and efficiency of operations
2. Reliability of financial reporting
3. Compliance with applicable laws and regulations

Five Interrelated Components

The COSO internal control framework identified five interrelated components:

- **Control Environment**

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.

Control environment factors include the integrity, ethical values and competence of the entity's people; management's philosophy and operating style; the way management assigns authority and responsibility, and organizes and develops its people; and the attention and direction provided by the board of directors.

- **Risk Assessment**

Risk assessment is the identification and analysis of relevant risks to achievement of the objectives, forming a basis for determining how the risks should be managed. Because economic, industry, regulatory and operating conditions will continue to change, mechanisms are needed to identify and deal with the special risks associated with change.

- **Control Activities**

Control activities are the policies and procedures that help ensure management directives are carried out. They help ensure that necessary actions are taken to address risks to achievement of the entity's objectives.

Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, reviews of operating performance, security of assets and segregation of duties.

- **Information and Communication**

Pertinent information must be identified, captured and communicated in a form and timeframe that enable people to carry out their responsibilities. Information systems produce reports, containing operational, financial and compliance-related information, that make it possible to run and control the business. They deal not only with internally generated data, but also information about external events, activities and conditions necessary to informed business decision-making and external reporting.

Effective communication also must occur in a broader sense, flowing down, across and up the organization. All personnel must receive a clear message from top management that control responsibilities must be taken seriously. They must understand their own role in the internal control system, as well as how individual activities relate to the work of others. They must have a means of communicating significant information upstream.

There also needs to be effective communication with external parties, such as customers, suppliers, regulators and shareholders.

- **Monitoring**

Internal control systems need to be monitored – a process that assesses the quality of the system's performance over time. This is accomplished through ongoing monitoring activities, separate evaluations, or a combination of the two.

Ongoing monitoring occurs in the course of operations. It includes regular management and supervisory activities, and other actions personnel take in performing their duties. The scope and frequency of separate evaluations will depend primarily on an assessment of risks and the effectiveness of ongoing monitoring procedures.

Summary of COSO Components and Principles of Internal Control

Components of Internal Control	Principles
A. Control Environment	1. Demonstrate Commitment to Integrity and Ethical Values 2. Exercise Oversight Responsibility 3. Establish Structure, Responsibility and Authority 4. Demonstrate Commitment to Competence 5. Enforce Accountability
B. Risk Assessment	6. Define Objectives and Risk Tolerances 7. Identify, Analyze, and Respond to Risks 8. Assess Fraud Risk 9. Identify, Analyze, and Respond to Change
C. Control Activities	10. Design Control Activities 11. Design Activities for the Information System 12. Implement Control Activities
D. Information and Communication	13. Use Quality Information 14. Communicate Internally 15. Communicate Externally
E. Monitoring	16. Perform Monitoring Activities 17. Evaluate Issues and Remediate Deficiencies

The following describes characteristics of internal control relating to each of the five components of internal control that should reasonably ensure compliance with the requirements of Federal statutes, regulations, and the terms and conditions of Federal awards. (The bracketed information highlights a relationship to one of the COSO principles.).

- A. Control Environment.** The foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives.
- There is a sense of conducting operations ethically, as evidenced by a code of conduct or other verbal or written directive. [Principle 1]

Recommended Code of Conduct for Public Employees

The Office of the Inspector General (OIG) has developed the attached Code of Conduct as a supplement to M.G.L. c.268A, the conflict of interest law. The Code sets standards of conduct for public employees engaged in official business relationships. The OIG recommends that local jurisdictions adopt the Code to preserve the integrity of business relationships and to maintain the highest level of public confidence in the impartial operation of government.

INTRODUCTION

The Massachusetts conflict of interest law, Chapter 268A of the Massachusetts General Laws, prohibits public employees from soliciting or accepting gratuities of substantial value for or because of their official duties. The law covers all state, county, and municipal employees, as well as employees of independent state authorities, districts, and commissions. The State Ethics Commission, which enforces the conflict of interest law, is authorized to impose civil fines of up to \$2,000 for each violation of the law and to recover damages. The law also carries criminal penalties, including fines and terms of imprisonment.

The conflict of interest law encourages public agencies to establish and enforce standards of conduct. This Code of Conduct is designed to supplement the conflict of interest law by setting standards of conduct for all employees with respect to relationships with individuals and entities with whom the public sector conducts official business. The purpose of this Code is to preserve the integrity of these relationships and to maintain the highest level of public confidence in the impartial operation of government.

This Code prohibits certain activities that could result in a conflict of interest or create the appearance of a conflict of interest. Exceptions to the Code's prohibitions are limited to specific circumstances in which an overriding public interest is served by the exception or in which the relationship in question is primarily personal.

The Massachusetts Office of the Inspector General has developed this Code for use by public agencies throughout the Commonwealth. Five major areas are addressed by this Code: gifts and gratuities, reimbursement of travel expenses, honoraria, testimonial and retirement functions, and groundbreaking and dedication ceremonies. This Code is not all-inclusive. It does not regulate every conceivable situation in which a public employee may be offered gifts or other items of monetary value. It does not address other activities prohibited by the conflict of interest law, such as bribery, participation in official matters affecting one's financial interests or those of one's family or business, and misuse of one's official position. For information or advice on matters not covered by this Code, guidance may be sought from local counsel and from the State Ethics Commission. As used in this Code, "we" and "our" refer to the agency adopting this Code; "you" refers to the agency's employees or members.

- Management makes evident its support of adequate information and reporting systems. [Principle 1]

Management regards the accounting function as a means for monitoring and exercising control over the entity's various activities and sets the tone that high-quality and transparent financial reporting is expected. A disciplined, objective process, including discussions with staff, boards and external auditors, is used in selecting accounting principles and developing estimates. Management also uses this process to assess internal controls and correct any known weaknesses in internal controls on a timely basis.

(COSO POLICY CONTINUED)

- There is a governing board or equivalent that is responsible for receiving all reports and communications from the auditor, and ensuring that audit findings and recommendations are adequately addressed, and they fulfill those responsibilities. [Principle 2]

The governing board is responsible for receiving all reports and communications from the auditor, and ensuring that audit findings and recommendations are adequately addressed, and they fulfill those responsibilities. As findings and recommendations are brought forward through the audit process, the appropriate management personnel are required to complete corrective action plans to address them. The governing board provides the necessary follow-up to ensure that the corrective action is implemented to resolve the findings and recommendations.

- Key managers' responsibilities are clearly defined. [Principle 3].

Job descriptions have been developed that clearly define key manager's roles and responsibilities. The job descriptions are reviewed on an annual basis and updated as necessary to address any changes to the organizational and internal control structures that are identified.

- Key managers have adequate knowledge and experience to discharge their responsibilities. [Principle 4]

Employees have the competence and training necessary for their assigned level of responsibility or the nature and complexity of the entity's activities. Before hiring new employees, job descriptions are evaluated and compared to potential employees' knowledge, skills, abilities and credentials before making hiring decisions, especially for key positions. Employees are subject to periodic evaluations of job performance and competencies.

- Management's commitment to competence ensures that staff receives adequate training to perform their duties. [Principle 4]

Appropriate human resource policies ensure that employees who are hired have the necessary knowledge, skills, and experience to perform their function within the institution. The employees receive appropriate training and career development opportunities. The organizational structure is set up to provide for appropriate delegation of responsibility and authority as well as adequate supervision for operating activities at all levels.

Staff meetings and annual fraud risk assessments are used to regularly educate and communicate to management and employees the importance of internal controls and to raise their level of understanding of existing controls and any changes that have been implemented. Key management also regularly attends professional development conferences and seminars to further enhance competency and their ability to perform their duties.

(COSO POLICY CONTINUED)

- Staff is knowledgeable about compliance requirements and is given responsibility to communicate all instances of noncompliance to management. [Principle 4]

Staff regularly attends professional development conferences and seminars to stay current on compliance requirements that affect the entity. These conferences and seminars are facilitated through professional organizations such as the Mass Association of Accountant's and Auditors, Mass Treasurer/Collector's Association, Mass Association of School Business Officials, Mass Department of Revenue, Mass Department of Elementary and Secondary Education. Furthermore, staff is encouraged to report all instances of noncompliance to management.

- Management initiates positive responsiveness to prior compliance and control findings. [Principle 4]

In the event that a compliance or control finding is identified, management will immediately analyze and evaluate the conditions and criteria that caused the findings. With the understanding gained from this process, a corrective action plan will then be developed and implemented to correct the compliance and control findings that have been identified. Management will reevaluate the results of the corrective actions that were taken to ensure that the findings have been resolved. If further actions are deemed necessary, further analysis, evaluation and corrective actions will take place until the matter has been satisfactorily resolved.

- Management demonstrates respect for and adherence to program compliance requirements. [Principle 5]

Management, through its attitudes and actions, demonstrates character, integrity and ethical values, which set the standard of conduct for compliance with program requirements for the entity as a whole. Management and staff are made familiar with the policies and practices with regards to ethics and accepted business practices through a code of conduct, governance guidelines and management and staff manuals. Management also follows ethical guidelines in dealing with external parties, including suppliers, contributors, creditors and insurers.

B. Risk Assessment. Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses.

- Program managers and staff understand and have identified key compliance objectives and risk tolerances. [Principle 6]

THE CITY’S FINANCIAL BASIS, POLICIES, AND PRACTICES

(COSO POLICY CONTINUED)

Key compliance objectives and risk tolerances for Federal awards:

<u>Compliance Objectives</u>	<u>Risk Tolerance</u>	<u>Likelihood of Non Compliance</u>	<u>Significance of Non Compliance</u>	<u>Control Effectiveness</u>	<u>Residual Risks</u>
Activities Allowed or Unallowed	Low	Low	High	High	Low
Allowable Costs/Cost Principles	Low	Low	High	High	Low
Cash Management	Low	Low	High	High	Low
Eligibility	Low	Low	High	High	Low
Equipment and Real Property Mgt	Low	Low	High	High	Low
Matching Level of Effort	Low	Low	High	High	Low
Period of Availability of Funds	Low	Low	High	High	Low
Procurement, Suspension & Debarment	Low	Low	High	High	Low
Program Income	Low	Low	High	High	Low
Reporting	Low	Low	High	High	Low
Subrecipient Monitoring	Low	Low	High	High	Low
Special Tests and Provisions	Low	Low	High	High	Low

Activities Allowed or Unallowed –

The specific requirements for activities allowed or unallowed are unique to each Federal program and are found in the Federal statutes, regulations, and the terms and conditions of the Federal award pertaining to the program. For programs listed in the OMB Compliance Supplement, the specific requirements of the governing statutes and regulations are included in Part 4, “Agency Program Requirements” or Part 5, “Clusters of Programs,” as applicable. This type of compliance requirement specifies the activities that can or cannot be funded under a specific program.

(COSO POLICY CONTINUED)

The Key compliance objectives associated with these compliance requirements is that Federal awards are used for allowable activities under each Federal program. The key risk associated with these compliance requirements is that Federal awards will be used to fund activities that are not allowable under the applicable award. Management has assessed the risk of noncompliance as low due to the following internal controls. The grant activities and budgets are approved by the awarding agencies. Program management is responsible for approving invoices and ensuring that grant funds are used for approved activities. Program expenditures are charged against approved budgets which are recorded in the accounting system. Expenditures are also reviewed and approved by the department head to ensure that they are allowable activities under the Federal program. The expenditures are processed through the warrants payable process which subjects them to additional review and approval by the appropriate officials. The accounting and auditing function is responsible for ensuring that funds are available under the Federal award and that the activities are appropriate for the budgeted line items being charged.

Allowable Costs/Cost Principles –

Basic Guidelines

Except where otherwise authorized by statute, cost must meet the following general criteria in order to be allowable under Federal awards;

1. Be necessary and reasonable for the performance of the Federal award and be allocable thereto under the principles in 2 CFR part 200, subpart E.
2. Conform to any limitations or exclusions set forth in 2 CFR part 200, subpart E or in the Federal award as to types or amount of cost items.
3. Be consistent with policies and procedures that apply uniformly to both Federally financed and other activities of the non-Federal entity.
4. Be accorded consistent treatment. A cost may not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
5. Be determined in accordance with generally accepted accounting principles (GAAP), except, for State and local governments and Indian tribes only, as otherwise provided for in 2 CFR part 200.
6. Not be included as a cost or used to meet cost-sharing or matching requirements of any other Federally financed program in either the current or a prior period.
7. Be adequately documented.

(*COSO POLICY CONTINUED*)

The Key compliance objective associated with this compliance requirement is that Federal awards are used for allowable costs under each Federal program. The key risks associated with this compliance requirement include whether or not the costs are necessary and reasonable to carry out the grant, are consistent with the policies and procedures that apply to Federal and non-Federally financed expenditures, are not included as part of a match of Federal funds and must be adequately documented. Management has assessed the risk of noncompliance as low due to the following internal controls. The grant activities and budgets are approved by the awarding agencies. Program management is responsible for approving invoices and ensuring that goods and services charged to the grant are allowable costs under the terms of the grant agreement. Program expenditures are charged against approved budgets which are recorded in the accounting system. For many of the Federal awards, salaries are a significant cost element being charged. Time and effort documentation is required to be maintained and approved by department heads to substantiate the salaries charged to each Federal award. Non-salary expenditures are also reviewed and approved by the department head to ensure that they are allowable costs under the Federal award. The salary and non-salary expenditures are processed through the accounts payable and payroll processes which subject them to additional review and approval by the applicable officials. The accounting and auditing function is responsible for ensuring that funds are available under the Federal award and that the expenditures are appropriate for the budgeted line items being charged.

Cash Management –

Non-Federal Entities Other Than States

Non-Federal entities must minimize the time elapsing between the transfer of funds from the U.S. Treasury or pass-through entity and disbursement by the non-Federal entity for direct program or project costs and the proportionate share of allowable indirect costs, whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means (2 CFR section 200.305(b)).

What constitutes minimized elapsed time for funds transfer will depend on what payment system/method a non-Federal entity uses. For example:

- The U.S. Department of Health and Human Service (HHS) processes its financial transactions with non-Federal entities through HHS's Program Support Center (PCS), which uses the Payment Management System (PMS). Usually, payments from PMS process overnight and the funds would be available in a non-Federal entity's account the next business day. HHS also processes payments through same day wires (mostly State governments).
- Federal agencies, such as the U.S. Department of Commerce, and U. S. Department of the Interior, use the U.S. Treasury's Automated Standard Application for Payments (ASAP) system for grant and cooperative agreement payments. Non-Federal entities can use the ASAP on-line process to request and receive same-day payment.

(COSO POLICY CONTINUED)

Under the advance payment method, Federal awarding agency or pass-through entity payment is made to the non-Federal entity before the non-Federal entity disburses the funds for program purposes (2 CFR section 200.3). A non-Federal entity must be paid in advance provided that it maintains, or demonstrates the willingness to maintain, both written procedures that minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by the non-Federal entity, as well as a financial management system that meets the specified standards for fund control and accountability (2 CFR section 200.305(b)(1)).

The reimbursement payment method is the preferred payment method if (a) the non-Federal entity cannot meet the requirements in 2 CFR section 200.305(b)(1) for advance payment, (b) the Federal awarding agency sets a specific condition for use of the reimbursement or (3) if requested by the non-Federal entity (2 CFR sections 200.305(b)(3) and 200.207)). The reimbursement payment method also may be used on a Federal award for construction or for other construction activity as specified in 2 CFR section 200.305(b)(3), program costs must be paid by non-Federal entity funds before submitting a payment request (2 CFR section 200.305(b)(3)), i.e., the non-Federal entity must disburse funds for program purposes before requesting payment from the Federal awarding agency or pass-through entity.

To the extent available, the non-Federal entity must disburse funds available from program income (including repayments to a revolving fund), rebates, refunds, contract settlements, audit recoveries, and interest earned on such funds before requesting additional Federal cash draws (2 CFR section 200.305(b)(5)).

Except for interest exempt under the Indian Self-Determination and Education Assistance Act (23 USC 450), interest earned by non-Federal entities other than States on advances of Federal funds is required to be remitted annually to the U. S. Department of Health and Human Services, Payment Management System, P.O. Box 6021, Rockville, MD 20852. Up to \$500 per year may be kept for administrative expenses (2 CFR section 200.305(b)(9)).

The Key compliance objective associated with this compliance requirement is to minimize the time elapsing between the transfer of funds from the Federal agency and disbursement by the grant recipient. This requirement is not applicable for the majority of the federal awards because they operate on a reimbursement basis. For grants where advance payments are received, the recipient may retain interest earned up to \$500 per year for administrative expenses. Interest earned in excess of \$500 will be returned to the U. S. Department of Health and Human Services, Payment Management System, P.O. Box 6021, Rockville, MD 20852. The key risk associated with this compliance requirement is that interest earned on Federal funds in excess of \$500 is not returned to the Federal government. Management has assessed the risk of noncompliance as low due to the following factors. The majority of the Federal awards received operate on a reimbursable basis. For advance funded Federal awards, the risk is considered low because funds are typically expended in a timely fashion after being received from the Federal agency. Also, current interest rates are low which significantly minimizes the risk that interest earned will exceed \$500. Interest earned is monitored on a monthly basis by the grant administrator and procedures are in place to ensure that any interest in excess of \$500 is returned to the Federal government.

Eligibility –

The specific requirements for eligibility are unique to each Federal program and are found in the statutes, regulations, and the terms and conditions of the Federal award pertaining to the program. For programs listed in the Supplement, these specific requirements are in Part 4, “Agency Program Requirements,” or Part 5, “Clusters of Programs,” as applicable. This compliance requirement specifies the criteria for determining the individuals, groups of individuals (including area of service delivery), or subrecipients that can participate in the program and the amounts for which they qualify.

The Key compliance objectives associated with this compliance requirement are to determine whether required eligibility determinations were made (including obtaining any required documentation/verification), that individual program participants or groups of participants (including area of service delivery) were determined to be eligible, and that only eligible individuals or groups of individuals participated in the program. Management has assessed the risk of noncompliance as low due to the following factors: Per the compliance supplement matrix, eligibility is not applicable for the majority of the Federal awards received. The most significant programs with eligibility requirements are the Title I and School Lunch programs. For both programs, the state provides significant oversight and training to ensure that eligibility requirements are being met.

School lunch eligibility can be confirmed by income verification or by providing documentation of participation in the Federal supplemental nutrition assistance program (SNAP). By November 15th of each school year, the grant recipient must verify the current free and reduced price eligibility of households selected from a sample of applications that it has approved for free and reduced price meals. The verification sample size is based on the total number of approved applications on file on October 1st. The results of the testing are reported to the state to facilitate their monitoring responsibilities.

Eligibility for the Title I program is determined based on poverty levels of the population residing in the school attendance areas. A Local Educational Agency (LEA) must determine which school attendance areas are eligible to participate in Title I Part A. A school attendance area is generally eligible to participate if the percentage of children from low-income families is at least as high as the percentage of children from low-income families in the LEA as a whole or at least 35 percent. An LEA may also designate and serve a school in an ineligible attendance area if the percentage of children from low-income families enrolled in that school is equal to or greater than the percentage of such children in a participating school attendance area. When determining eligibility, an LEA must select a poverty measure from among the following data sources: (1) the number of children ages 5–17 in poverty counted in the most recent census; (2) the number of children eligible for free and reduced price lunches; (3) the number of children in families receiving Temporary Assistance for Needy Families (TANF); (4) the number of children eligible to receive Medicaid assistance; or (5) a composite of these data sources. The LEA must use that measure consistently across the district to rank all its school attendance areas according to their percentage of poverty. An LEA must serve eligible schools or attendance areas in rank order according to their percentage of poverty. An LEA must serve those areas or schools above 75 percent poverty, including any middle or high schools, before it serves any with a poverty-percentage at or below 75 percent. After an LEA has served all areas and schools with a poverty rate above 75 percent, the LEA may serve lower-poverty areas and schools either by continuing with the district-wide ranking or by ranking its schools at or below

(COSO POLICY CONTINUED)

75 percent poverty according to grade-span grouping (e.g., K-6, 7-9, 10-12). If an LEA ranks by grade span, the LEA may use the district-wide poverty average or the poverty average for the respective

grade-span grouping. An LEA may serve, for one additional year, an attendance area that is not currently eligible but that was eligible and served in the preceding year. The poverty levels are derived from census poverty estimates and are compiled at the local level and submitted to the State for review and approval as part of the application process.

Equipment and Real Property Management –

Equipment means tangible personal property, including information technology systems, having a useful life of more than one year and a per-unit acquisition cost which equals or exceeds the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or \$5,000 (2 CFR section 200.33). Title to equipment acquired by a non-Federal entity under grants and cooperative agreements vests in the non-Federal entity subject to certain obligations and conditions (2 CFR section 200.313(a)).

Non-Federal entities other than States must follow 2 CFR sections 200.313(c) through (e) which require that:

1. Equipment acquired with Federal awards is used in the program or project for which it was acquired as long as needed, whether or not the project or program continues to be supported by the Federal award or, when appropriate, under other Federal awards; however, the non-Federal entity must not encumber the equipment without prior approval of the Federal awarding agency (2 CFR sections 200.313(c) and (e)).
2. Property records must be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the Federal award identification number), who holds title, the acquisition date, cost of the property, percentage of Federal participation in the project costs for the Federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property.
3. A physical inventory of the property must be taken and the results reconciled with the property records at least once every 2 years (2 CFR section 200.313(d)(2)).
4. A control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated (2 CFR section 200.313(d)(3)).
5. Adequate maintenance procedures must be developed to keep the property in good condition (2 CFR section 200.313(d)(4)).
6. If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be established to ensure the highest possible return (2 CFR section 200.313(d)(5)).

(COSO POLICY CONTINUED)

7. When original or replacement equipment acquired under a Federal award is no longer needed for a Federal program (whether the original project or program or other activities currently or previously supported by the Federal government), the non-Federal entity must request disposition instructions from the Federal awarding agency if required by the terms and conditions of the award. Items of equipment with a current per-unit fair market value of \$5,000 or less may be retained, sold, or otherwise disposed of with no further obligation to the Federal awarding agency. If the Federal awarding agency fails to provide requested disposition instructions within 120 days, items of equipment with a current per-unit fair market value in excess of \$5,000 may be retained or sold. The Federal awarding agency is entitled to the Federal interest in the equipment, which is the amount calculated by multiplying the current market value or sale proceeds by the Federal agency's participation in total project costs (2 CFR section 200.313(e) and 200.41).

The key risks associated with these compliance requirements is that equipment or real property acquired with Federal funds will not be used for the programs or projects for which it was acquired, that proper documentation will not be maintained to account for the real property, that proper inventory controls will not be maintained and that dispositions will not be in accordance with Federal regulations for property that has a fair market value in excess of \$5,000. Management has assessed the risk of noncompliance as low because Federal funds are not typically used to purchase equipment or real property in excess of \$5,000 and in instances where this does occur, controls are in place to ensure that the compliance requirements are met.

Control activities are more fully described in our Internal Control Manual.

Matching Level of Effort and Earmarking –

The specific requirements for matching, level of effort, and earmarking are unique to each Federal program and are found in the statutes, regulations, and the terms and conditions of awards pertaining to the program. For programs listed in this Supplement, these specific requirements are in Part 4, “Agency Program Requirements,” or Part 5, “Clusters of Programs,” as applicable. However, for matching, 2 CFR section 200.306 provides detailed criteria for acceptable costs and contributions.

“Matching,” “level of effort,” and “earmarking” are defined as follows:

1. *Matching* or cost sharing includes requirements to provide contributions (usually non-Federal) of a specified amount or percentage to match Federal awards. Matching may be in the form of allowable costs incurred or in-kind contributions (including third-party in-kind contributions).

(COSO POLICY CONTINUED)

2. *Level of effort* includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-Federal or Federal sources for specified activities to be maintained from period to period, and (c) Federal funds to supplement and not supplant non-Federal funding of services.
3. *Earmarking* includes requirements that specify the minimum and/or maximum amount or percentage of the program's funding that must/may be used for specified activities, including funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered.

The following is a list of the basic criteria for acceptable matching:

- Are verifiable from the non-Federal entity's records;
- Are not included as contributions for any other Federal award;
- Are necessary and reasonable for accomplishment of project or program objectives;
- Are allowed under 2 CFR part 200, subpart E (Cost Principles);
- Are not paid by the Federal Government under another award, except where the Federal statute authorizing a program specifically provides that Federal funds made available for such program can be applied to matching or cost sharing requirements of other Federal programs;
- Are provided for in the approved budget when required by the Federal awarding agency; and
- Conform to other provisions of this part, as applicable.

The key risks associated with these compliance requirements is that grant matching requirements, level of effort requirements, or earmarking requirements will not be met. Management has assessed the risk of noncompliance as low because it does not have Federal awards with matching or earmarking requirements. For Federal awards that have level of effort requirements, the Federal awards are passed-through the Massachusetts Department of Elementary and Secondary Education (DESE) who is responsible for monitoring compliance. The monitoring is completed on an annual basis with data that is collected through the DESE's End-of-Year Financial Reporting requirements. In addition to the DESE monitoring requirements, the education appropriation has increased on an annual basis over the last ten years which reduces the risk that level of effort requirements will not be met.

Control activities are more fully described in our Internal Control Manual.

(COSO POLICY CONTINUED)

Period of Availability of Funds –

A non-Federal entity may charge to the Federal award only allowable costs incurred during the period of performance and any costs incurred before the Federal awarding agency or pass-through entity made the Federal award that were authorized by the Federal awarding agency or pass-through entity (2 CFR section 200.309).

Unless the Federal awarding agency or pass-through entity authorizes an extension, a non-Federal entity must liquidate all obligations incurred under the Federal award not later than 90 calendar days after the end date of the period of performance as specified in the terms and conditions of the Federal award (2 CFR section 200.343(b)). When used in connection with a non-Federal entity's utilization of funds under a Federal award, "obligations" means orders placed for property and services, contracts and subawards made, and similar transactions during a given period that require payment by the non-Federal entity during the same or a future period (2 CFR section 200.71).

The key risk associated with this compliance requirement is that allowable costs will be charged to a Federal award prior to the period of performance unless prior authorization was received by the Federal awarding agency and that any obligations incurred under the Federal award are not liquidated within 90 calendar days after the end date of the period of performance unless an extension has been granted by the Federal awarding agency. Management has assessed the risk of noncompliance as low because internal controls are in place to ensure that costs can only be charge during the period of performance. These controls include the ability of management to inactivate accounts after the period of availability of funds and the use of purchase requisitions and purchase orders to commit funds which require review and approval by management to ensure that commitments and expenditures are within the period of availability. Control activities are more fully described in our Internal Control Manual.

Procurement and Suspension and Debarment –

Non-Federal entities other than States, including those operating Federal programs as subrecipients of States, must follow the procurement standards set out at 2 CFR sections 200.318 through 200.326. They must use their own documented procurement procedures, which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal statutes and the procurement requirements identified in 2 CFR part 200. A non-Federal entity must:

1. Meet the general procurement standards in 2 CFR section 200.318, which include oversight of contractors' performance, maintaining written standards of conduct for employees involved in contracting, awarding contracts only to responsible contractors, and maintaining records to document history of procurements.
2. Conduct all procurement transactions in a manner providing full and open competition, in accordance with 2 CFR section 200.319.

(COSO POLICY CONTINUED)

3. Use the micro-purchase and small purchase methods only for procurements that meet the applicable criteria under 2 CFR sections 200.320(a) and (b). Under the micro-purchase method, the aggregate dollar amount does not exceed \$3,500 (\$2,000 in the case of acquisition for construction subject to the Wage Rate Requirements (Davis-Bacon Act)). Small purchase procedures are used for purchases that exceed the micro-purchase amount but do not exceed the simplified acquisition threshold. Micro-purchases may be awarded without soliciting competitive quotations if the non-Federal entity considers the price to be reasonable (2 CFR section 200.320(a)). If small purchase procedures are used, price or rate quotations must be obtained from an adequate number of qualified sources (2 CFR section 200.320(b)).
4. For acquisitions exceeding the simplified acquisition threshold, the non-Federal entity must use one of the following procurement methods: the sealed bid method if the acquisition meets the criteria in 2 CFR section 200.320(c); the competitive proposals method under the conditions specified in 2 CFR section 200.320(d); or the noncompetitive proposals method (i.e., solicit a proposal from only one source) but only when one or more of four circumstances are met, in accordance with 2 CFR section 200.320(f).
5. Perform a cost or price analysis in connection with every procurement action in excess of the simplified acquisition threshold, including contract modifications (2 CFR section 200.323(a)). The cost plus a percentage of cost and percentage of construction cost methods of contracting must not be used (2 CFR section 200.323(d)).
6. Ensure that every purchase order or other contract includes applicable provisions required by 2 CFR section 200.326. These provisions are described in Appendix II to 2 CFR part 200, "Contract Provisions for Non-Federal Entity Contracts Under Federal Awards."

The key risks associated with this compliance requirement are that micro-purchases (less than \$3,500) will not be distributed equitably among qualified suppliers, purchases in excess of the micro-purchase threshold (\$3,500) and below the MGL Chapter 30B threshold (\$10,000) requiring price/rate quotes will not be adhered to, purchases in excess of the MGL Chapter 30B threshold (\$50,000) requiring competitive bids will not be adhered to. Management has assessed the risk of noncompliance as low. The low risk assessment is based on the fact that individuals responsible for procurement have received training and certification under the Massachusetts Public Procurement Officer program sponsored by the Massachusetts Inspector General's Office. Click on the following link to learn more about the certification process <http://www.mass.gov/ig/mcppo/>. Written policies and procedures are maintained with regards to purchasing that are distributed to department heads to inform them of any new or updated procedures as well as conducting continuing education with regards to purchasing policies and procedures.

(*COSO POLICY CONTINUED*)

Program Income –

Program income is gross income earned by a non-Federal entity that is directly generated by a supported activity or earned as a result of the Federal award during the period of performance (unless there is a requirement for disposition of program income after the end of the period of performance as provided in 2 CFR section 200.307(f)).

Program income (2 CFR section 200.80) includes, but is not limited to income from:

- Fees for services performed,
- The use or rental of real or personal property acquired under Federal awards,
- The sale of commodities or items fabricated under Federal awards,
- License fees and royalties on patents and copyrights, except as provided below, and
- Principal and interest on loans made with Federal award funds.

Program income does not include:

- Interest earned on advances of Federal funds.
- Except as otherwise provided in Federal statutes, regulations or the terms and conditions of the Federal award, rebates, credits, discounts and interest earned on any of them.
- Taxes, special assessments, levies, fines, and other such revenues raised by a non-Federal entity, unless the Federal award or Federal awarding agency regulations specifically identify the revenues as program income (2 CFR section 200.307(c)).
- The proceeds from the sale of equipment or real property acquired in whole or in part under the Federal award (2 CFR section 200.307(d)).

Royalties or income earned by an institution of higher education or a nonprofit organization on inventions conceived or first actually reduced to practice in the performance of work under a funding agreement with a Federal agency that is shared with the inventor (2 CFR section 200.307(g); 37 CFR sections 401.2 and 401.14(k); 35 USC 201(i), and 35 USC 202(c)(7)(B)).

(*COSO POLICY CONTINUED*)

The key risk associated with this compliance requirement is that the program income will not be used in accordance with the allowable methods as indicated in 2 CFR section 200.307(e). Management has assessed the risk of noncompliance as low. The low risk assessment is based on the fact that program income is generally not applicable to our organization. If program income is received, the default method for using program income is the deduction method. Under the deduction method, program income is deducted from the total allowable costs unless the otherwise directed by the Federal awarding or pass-through agency.

Reporting –

Financial Reporting

Recipients must use the standard financial reporting forms or such other forms as may be authorized by OMB (approval is indicated by an OMB paperwork control number on the form) when reporting to the Federal awarding agency. Each recipient must report program outlays and program income on a cash or accrual basis, as prescribed by the Federal awarding agency. If the Federal awarding agency requires reporting of accrual information and the recipient's accounting records are not normally maintained on the accrual basis, the recipient is not required to convert its accounting system to an accrual basis but may develop such accrual information through analysis of available documentation. The Federal awarding agency may accept identical information from the recipient in machine-readable format, computer printouts, or electronic outputs in lieu of closed formats or on paper.

Similarly, a pass-through entity must not require a subrecipient to establish an accrual accounting system and must allow the subrecipient to develop accrual data for its reports on the basis of an analysis of available documentation.

The financial reporting requirements for subrecipients are as specified by the pass-through entity. In many cases, these will be the same as or similar to those for recipients.

The standard financial reporting forms for grants and cooperative agreements are as follows:

- *Request for Advance or Reimbursement (SF-270) (OMB No. 0348-0004)*). Recipients are required to use the SF-270 to request reimbursement payments under non-construction programs, and may be required to use it to request advance payments.
- *Outlay Report and Request for Reimbursement for Construction Programs (SF-271) (OMB No. 0348-0002)*). Recipients use the SF-271 to request funds for construction projects unless they are paid in advance or the SF-270 is used.
- *Federal Financial Report (FFR) (SF-425/SF-425A) (OMB No. 0348-0061)*). Recipients use the FFR as a standardized format to report expenditures under Federal awards, as well as, when applicable, cash status (Lines 10.a, 10.b, and 10.c). References to this report include its applicability as both an expenditure and a cash status report unless otherwise indicated.

(*COSO POLICY CONTINUED*)

Electronic versions of the standard forms are located on OMB's home page (http://www.whitehouse.gov/omb/grants_forms).

Financial reporting requirements for cost reimbursement contracts subject to the Federal Acquisition Regulation (FAR) are contained in the terms and conditions of the contract.

Performance and Special Reporting

Non-Federal entities may be required to submit performance reports at least annually but not more frequently than quarterly, except in unusual circumstances, using a form or format authorized by OMB (2 CFR section 200.328(b)(1)). They also may be required to submit special reports as required by the terms and conditions of the Federal award.

Compliance testing of performance and special reporting are only required for data that are quantifiable and meet the following criteria:

1. Have a direct and material effect on the program.
2. Are capable of evaluation against objective criteria stated in the statutes, regulations, contract or grant agreements pertaining to the program.

The key risks associated with this compliance requirement are that the required standardized forms will not be used for reporting and that reporting will not be completed on a timely basis. Management has assessed the risk of noncompliance as low. The low risk assessment is based on the fact that the majority of the Federal awards are received from pass-through entities which provide a significant amount of training and oversight to ensure that reporting requirements are met for each Federal award. Also, reporting responsibilities are centralized with the grant administrators. Management also provides oversight to ensure that monthly, quarterly and annual reporting is completed on a timely basis and that the proper standardized forms are utilized.

Control activities are more fully described in our Internal Control Manual.

Subrecipient Monitoring –

A pass-through entity (PTE) must:

- *Identify the Award and Applicable Requirements* – Clearly identify to the subrecipient: (1) the award as a subaward at the time of subaward (or subsequent subaward modification) by providing the information described in 2 CFR section 200.331(a)(1); (2) all requirements imposed by the PTE on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations, and the terms and conditions of the award (2 CFR section 200.331(a)(2)); and (3) any additional requirements that the PTE imposes on the subrecipient in order for the PTE to meet its own responsibility for the Federal award (e.g., financial, performance, and special reports) (2 CFR section 200.331(a)(3)).

(*COSO POLICY CONTINUED*)

- *Evaluate Risk* – Evaluate each subrecipient’s risk of noncompliance for purposes of determining the appropriate subrecipient monitoring related to the subaward (2 CFR section 200.331(b)). This evaluation of risk may include consideration of such factors as the following:
 1. The subrecipient’s prior experience with the same or similar subawards;
 2. The results of previous audits including whether or not the subrecipient receives single audit in accordance with 2 CFR part 200, subpart F, and the extent to which the same or similar subaward has been audited as a major program;
 3. Whether the subrecipient has new personnel or new or substantially changed systems; and
 4. The extent and results of Federal awarding agency monitoring (e.g., if the subrecipient also receives Federal awards directly from a Federal awarding agency).

- *Monitor* – Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.331(d) through (f)). In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or specifically required by the terms and conditions of the award, subaward monitoring must include the following:
 1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
 2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the PTE detected through audits, on-site reviews, and other means.
 3. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Ensure Accountability of For-Profit Subrecipients – Some Federal awards may be passed through to for-profit entities. For-profit subrecipients are accountable to the PTE for the use of the Federal funds provided. Because 2 CFR part 200 does not make subpart F applicable to for-profit subrecipients, the PTE is responsible for establishing requirements, as necessary, to ensure compliance by for-profit subrecipients for the subaward. The agreement with the for-profit subrecipient must describe applicable compliance requirements and the for-profit subrecipient’s compliance responsibility. Methods to ensure compliance for Federal awards made to for-profit subrecipients may include pre-award audits, monitoring during the agreement, and post-award audits (2 CFR section 200.501(h)).

(*COSO POLICY CONTINUED*)

The key risks associated with this compliance requirement are that the award and requirements will not be clearly communicated to a subrecipient, that evaluation of the risk of noncompliance for purposes of determining appropriate subrecipient monitoring will not be appropriate, and that required monitoring activities will not be performed. Management has assessed the risk of noncompliance as low. The low risk assessment is based on the fact that no Federal funds are currently awarded to subrecipients.

Special Tests and Provisions –

The specific requirements for Special Tests and Provisions are unique to each Federal program and are found in the statutes, regulations, and the provisions of contract or grant agreements pertaining to the program.

The key risk associated with this compliance requirement is that the recipient will not be aware of special tests and provisions and will not adhere to the specific requirements associated with them. Management has assessed the risk of noncompliance as low. The low risk assessment is based on the fact that an evaluation of grant awards is completed on an annual basis to determine if special tests and provisions are applicable to any grant awards. If special tests and provisions are identified, the administrative team is notified and procedures are put in place to ensure compliance.

- Management is aware of results of monitoring, audits, and reviews, and considers related risk of noncompliance. [Principle 7]

Management holds regular meetings and is updated on the results of monitoring activities, audits and reviews. Action plans are developed to address any weaknesses in internal or noncompliance that is noted. Additional follow-up is done to make sure that action plans are implemented and that the corrective action addressed any matters noted.

- Management and employees identify, analyze, and adequately respond to risks related to achieving the defined objectives. [Principle 7]

Management holds regular meetings and discusses risk related to achieving defined objectives. Material risks are analyzed by management and controls are assessed to ensure that risks are reduced to an acceptable level.

- The organizational structure provides identification of risks of noncompliance [Principle 7]
 - Key managers have been given responsibility to identify and communicate risks of noncompliance.
 - Employees who require close supervision (e.g., they are inexperienced) are identified.
 - Management has identified and assessed complex operations, programs, or projects.

(COSO POLICY CONTINUED)

- Management considers the potential for fraud when identifying, analyzing, and responding to risk. This assessment includes at a minimum the following: [Principle 8]
 - types of fraud,
 - fraud risk factors, and
 - response to fraud risks.

During times of significant financial hardship, the increased stress to the organization can increase the risk that prepared budgets are not sufficient to meet actual expenditures. However, the financial reality is that if recurring revenues are not sufficient to fund recurring expenditures, eventually budget cuts will have to be made.

In the governmental environment, any major organizational restructuring is a long and involved process where management has sufficient lead time to adjust the budget to reflect the new organizational structure.

There is risk that elected officials may react to increased financial pressures by not implementing or enforcing sound business policies which could lead to a deteriorating financial condition. Examples would include not raising water rates to cover 100% of the cost of providing the service, improper procurement practices, and depletion of reserves to fund operations.

Lack of foresight in completing long term capital plans can lead to deteriorating infrastructure which will have an adverse effect on the long term financial condition.

GASB pronouncements can add to the financial burden of a community.

A community can face financial pressures related to technological resources.

The government must comply with grant restrictions and all grants are supplied to the accounting office to review the allowability of activities and costs. The Federal grants are audited as part of the single audit which reduces risk. Monitoring reviews are made periodically by the granting agencies. The risk related to noncompliance with Federal and state grants could result in termination of future grants.

Most grants are drawn down monthly, quarterly or up front. For reimbursable grants the only delay in receipt is the timing of the reimbursement requests.

The largest risk is a revenue reduction from state aid and excise taxes. However this risk is minimal as the community can increase their major revenue source by 2 1/2% each year. It will cause appropriation reductions but there is no risk the government will go out of business.

(COSO POLICY CONTINUED)

If serious conditions occur due to mismanagement the state has come in several times and put in a control board which has been successful in turning the communities around in a relative short period of time.

If there is a significant economic downturn, which results in a decreasing revenue base for the community, the community will be forced to reduce services.

There are very few real risks related to the government's revenues. The Department of Revenue (DOR) does not allow the community to budget more than the actual revenue received in the prior year unless they can clearly demonstrate the increase is justified.

The major revenue sources are:

Real estate and personal property taxes which the billing is set by the assessor and first year collections are usually about 95% and in the next year the community usually collect another 4%. Any unpaid amounts are liened against the parcel and therefore the community has secured its position. Due to these factors, risk is minimal.

State Aid is reasonably known before the year begins and is part of the budgetary process. It is always 100% collected and normally received in quarterly payments. Risk is considered minimal.

Motor Vehicle Excise bills are created by the Registry of Motor Vehicles and are substantially collected. Although unpaid amounts cannot be liened they are marked at the registry and the owner cannot renew the registration or license with paying all amounts due.

User fees are based on costs of providing the services and readings taken for actual usage. Any unpaid fees can be liened and depending on the circumstances the service can be stopped until the fee is paid.

Bad debt allowance is minimal.

There is significant risk related to the year-end accrual entries since the entries are done only once a year. Therefore the infrequency of the accounting increases the possibility of error but not fraud or misappropriation of assets.

All of the risks previously mentioned are minimized through a combination of factors, which include:

The Department of Revenue is the oversight board for how all communities must maintain their statutory accounts, in addition, they publish the UMAS manual that is the authoritative budgetary book that dictates how all transactions should be recorded. In conjunction with this, the community is required to submit annual reports under this basis of accounting to the DOR.

(COSO POLICY CONTINUED)

The DOR issued a comprehensive guide on how to implement GASB 34 which included all GAAP to date and how the community would convert their statutory financial statements into GAAP. All communities are required to use this guidance when preparing their audited financial statements.

Any new pronouncements are addressed by the community through continuing education provided by the Accountant's and Auditor's Associations and discussions with the independent auditors. Before implementing any new accounting policies, consultations are conducted with the independent auditors.

The major governmental expense is payroll. Procedures are maintained for hiring and dismissing employees. The Personnel department, Treasurer's Office and Accounting Department need to be informed of any personnel changes. Any new full-time employee joins the retirement system and deductions must be turned over monthly. Employees are charged to a department appropriation which is diligently monitored by the department heads. Therefore the risk of full-time fictitious employees is minimal. Salary levels are controlled by collective bargaining and the annual increases are normally 0% to 3% which is covered by prop 2 1/2. If reductions have to be made in the workforce it is usually covered by attrition, retirement, or reducing staffing levels based on seniority. The reductions are normally not made in the finance areas due to the limited number of staff and minor dollars in relation to the total budget. Therefore internal financial controls are usually not adversely affected by layoffs.

Employee benefits are directly related to actual employees and the health insurance account is monitored each month. Although it is possible that terminated employees are not removed from the rolls timely the risk of material financial statement error is minimal.

Pension expense is an annual assessment made by the retirement system.

Debt service is structured with the assistance of financial advisors. There is very little risk related to this expenditure.

The remaining expenses are monitored through annual budgets, capital committees, management and department heads. There is a risk that expenses may be recorded in the wrong period through error or financial statement fraud but the risk is minimized by the fact that accounting personnel are instructed not to pay a bill related to the prior period unless a separate appropriation is made for unpaid bills. This process takes months and through past experience the risk is minimal. The recording of expenses in the wrong fiscal year is only important in budgeted funds as multi-year funds such as capital projects, certain grants and revolving funds carryover any unspent resources to the following year.

The risk related to investment activity relates to investing in high risk investments which could result in a permanent loss of operating or capital funds.

MGL limits local government's legal investments which significantly reduces investment risk. There is minimal personal benefit to the Treasurer based on investment performance. Therefore, the likelihood that the Treasurer would knowingly violate MGL regulations is minimal. The commonwealth updates its legal list of investments annually.

(*COSO POLICY CONTINUED*)

The risk related to financing is not having access to the financing markets to meet cash flow needs. In addition, there are several forms of complex financing arrangements that places risk to the community through interest rate increases. We have never experienced an inability to access financing at competitive rates.

The MGL does not allow for local governments to engage in complex financing arrangements such as swaptions. In order for a community to borrow, a series of third parties are involved in the process including financial advisors, the executive branch of the government, bond counsel, DOR, which ensure that the financing is in compliance with MGL. This area does not carry a significant risk.

The financial statements are expected to be widely distributed to Federal agencies, State agencies, citizens, used in official statements, continuing disclosures and other. The risks are community related if there are qualifications in the opinion, findings on the single audit or significant deficiencies. We do not believe any of these risks are significant because they are minimized through the independent audit process.

The risks related to IT include:

- failure to backup critical data and programs.
- lack of sufficient personnel with appropriate knowledge and skills due to budgetary constraints. There is risk associated with the loss of a critical IT employee if the employee could not be replaced immediately through internal or external sources.
- lack of adequate documentation of policies and procedures related to IT and financial applications.
- lack of contingency plans for alternative processing in the event of loss or interruption of the IT function.
- the risk of maintaining multiple computing environments without adequate integration.

These risks have been mitigated by the employment of an IT Director with suitable skills, knowledge and experience. In addition, written policies and procedures have been adopted to ensure that each of these risks has been addressed.

- Processes are established to implement significant changes in program objectives and procedures. [Principle 9]

Grant agreements, contracts and the Federal compliance supplement are reviewed on an annual basis to identify significant changes to program objectives and procedures. Oversight agencies and pass-through entities, such as the Department of Education, provide training and resource materials to assist in the identification of changes to program objectives and procedures. Once significant changes are identified, policies and procedures are developed to ensure compliance. These policies and procedures are communicated to management at weekly meetings and departmental staff is made aware of the changes by management.

C. **Control Activities.** The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.

- Adequate segregation of duties is provided between performance, review, and recordkeeping of a task. [Principle 10]

Management should divide or segregate key duties and responsibilities among different people to reduce the risk of error, misuse, or fraud. This includes separating the responsibilities for:

- authorizing transactions,
- processing and recording them,
- reviewing the transactions, and
- handling any related assets or process so that no one individual controls all key aspects of a transaction or event.

In other words, control activities related to authority, custody, and accounting of operations ought to be separated to achieve adequate segregation of duties.

If segregation of duties is not practical within an operational process because of limited personnel for example, adding closer supervision, cross-training or frequent reviews may be an alternative for this control activity.

Segregation of duties is achieved at the departmental level as well as at the entity-wide level. Grant drawdowns and requests for reimbursement are initiated at the departmental level and cash receipts are recorded by the Treasurer's office and are wired into a bank account maintained by the Treasurer. The Treasurer has custody of all of the bank accounts. Departments will typically notify the Treasurer when a drawdown or reimbursement request has been made to assist the Treasurer with the identification of funds received.

For the majority of the Federal awards, payroll is the most significant transaction class. The grant application process typically requires a detailed budget to be approved indicating the payroll positions to be charged, and the number of FTE's associated with each position. Time and effort documentation is maintained by each employee paid from the grant and is approved by the department head to ensure that only eligible payroll is charged to the Federal awards. For disbursements, purchase requisitions and purchase orders are utilized which are approved at the department level, approved by the procurement officer and approved by the Accountant/Auditor. Control activities are more fully described in our Internal Control Manual.

(*COSO POLICY CONTINUED*)

- Supervision of employees is commensurate with their level of competence. [Principle 10]

Employee's competence is evaluated on an ongoing basis. The level of employee supervision is planned and adjusted based on the evaluation of the employee's performance and competence. As an employee's level of competence increases, supervision of that employee can be reduced to a lower level.

- Personnel possess adequate knowledge and experience to discharge their responsibilities. [Principle 10]

Personnel are evaluated during the hiring process against specific roles and responsibilities that they are applying for. Candidates for management level positions typically require prior experience that would allow them to complete the responsibilities of the position. Staff level positions do not always require prior experience, but personnel must possess the ability to perform the roles and responsibilities given sufficient training and supervision.

- Equipment, inventories, cash, and other assets secured physically and periodically counted and compared to recorded amounts. [Principle 10]

Equipment is tagged and inventoried on a periodic basis. Commodities for the school lunch program are also inventoried on a regular basis. Cash and other assets are counted and reconciled to the general ledger and supporting documentation on a monthly basis. Any discrepancies noted are investigated and resolved as part of the reconciliation process.

- Computer and program controls include [Principle 11]:

- Data entry controls, e.g., edit checks.
- Exception reporting.
- Access controls.
- Reviews of input and output data.
- Computer general controls and security controls.

Data entry controls primarily relate to the reconciliation process. This is where most data entry errors are discovered and corrected. Some of the most important reconciliations include cash, receivables, Federal awards, departmental appropriations, payroll withholdings, etc.

(COSO POLICY CONTINUED)

Exception reporting is mainly used in the billing process to identify issues with customer utility bills and to ensure that bills are in line with expectations. Outliers are reviewed and investigated to ensure accuracy.

Data access is controlled through the use of user profiles in the accounting system and through physical safeguards for manual records such as locking information in a safe, file cabinet or other secure area. Computer passwords are also changed periodically and require strong passwords to reduce the risk of hacking.

Input and output data is reconciled to supporting documentation by the accounting department as well as the departments that are responsible for the transactions.

- Operating policies and procedures exist and are clearly written and communicated. [Principle 11]
- Procedures are in place to implement changes in statutes, regulations, and the terms and conditions affecting Federal awards. [Principle 11]

Grant managers are responsible for identifying changes in statutes, regulations and terms and conditions affecting Federal awards and are responsible for updating processes and procedures to ensure compliance. Federal awarding agencies as well as pass-through entities also provide training seminars to highlight changes in statutes, regulations and terms and conditions affecting Federal awards. The seminars are designed to educate the grant recipients about how to comply with the changes.

- Management prohibits intervention or overriding established controls. [Principle 11]

Management reviews compliance with established controls to ensure that controls are not intervened with or overridden. For example, supporting documentation is reviewed to ensure that required reviews and approvals by department heads are occurring and that the required signoffs are present documenting department head approval.

D. Information and Communication. The quality of information management and personnel communicate and use to support the internal control system.

- The accounting system provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both. [Principle 13]

A fund based accounting system is maintained that provides a separate accounting of Federal funds. This facilitates identification of Federal awards and accounting and reporting requirements.

- Adequate source documentation exists to support amounts and items reported. A recordkeeping system is established to ensure that accounting records and documentation are retained for the time period required in the statutes, regulations, and the terms and conditions applicable to the program. [Principle 13]

Source documents are typically maintained at the department level where responsibility for administration of the Federal award exists as well as in the accounting and treasury departments. Supporting documentation is required for the receipt and disbursement processes. For disbursements, the original invoice must be submitted to the accounting department and is maintained with the approved warrant. For receipts, supporting documentation must be provided to the treasurer's office along with a turnover sheet that is used to record the transaction. All documentation is maintained in accordance with Federal and State record retention requirements. See 2CFR Section 200.333 for UG record retention requirements. Massachusetts record retention requirements can be found at <https://www.sec.state.ma.us/arc/arcrmu/rmuidx.htm>.

- Accurate information is accessible to those who need it. [Principle 13]

Accurate financial information can be obtained from the accounting system. This information is reconciled to departmental records on a monthly basis. Program related information is maintained at the department level and can be obtained by contacting the applicable department.

(COSO POLICY CONTINUED)

- Reports are provided timely to managers for review and appropriate action. [Principle 13]

Financial information is available to managers on a real-time basis through access to the accounting system. Audits and review reports are available to managers for review and appropriate action. From a practical standpoint, any matters warranting corrective action are discussed at the time of the audit. Responses from management and corrective actions are requested at that time and are typically implemented prior to the audit being finalized or very soon thereafter. Corrective action plans are required to be submitted to the Federal audit clearinghouse with the annual submission which helps to facilitate timely implementation.

- Reconciliations and reviews ensure accuracy of reports. [Principle 13]

Monthly reconciliations of general ledger accounts are required. This includes reconciliation of cash accounts between bank and general ledger balances and reconciliation of revenue and expenditure transactions.

- Actions are taken as a result of communications received. [Principle 13]

Audits and review reports are available to managers for review and appropriate action. Any matters warranting corrective action are communicated to management during the audit. Responses from management and corrective actions are requested at that time and are typically implemented prior to the audit being finalized or very soon thereafter. Corrective action plans are required to be submitted to the Federal audit clearinghouse with the annual submission which helps to facilitate timely implementation.

- Established internal and external communication channels exist. [Principle 14]

- Staff meetings.
- Bulletin boards.
- Memos, circulation files, e-mail.
- Surveys, suggestion box.

Management meets on a regular basis to discuss emerging issues and other pertinent matters. Staff meetings are held on an as needed basis at the discretion of the department head. Other communications are made using bulletin boards, memo's emails and surveys.

(*COSO POLICY CONTINUED*)

- Employees' duties and control responsibilities are effectively communicated. [Principle 14]

Employee roles and responsibilities are documented by the human resources department and communicated to each employee. Control responsibilities are documented in the internal control document and are communicated to employees by management. Procedure manuals are maintained at the department level documenting the control responsibilities of each position in the department.

- Channels of communication for people to report suspected improprieties have been established. [Principle 14]

Employees are encouraged to report improprieties to their direct supervisor, however in situations where this is not practical; they are encouraged to report to the next highest ranking level of management. In instances where this is still not practical, employees are encouraged to bring the matter to the City Manager.

- There are established channels of communication between the pass-through entity and subrecipients. [Principle 15]

We do not currently provide any subawards to subrecipients.

E. Monitoring. Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

- Ongoing monitoring is built-in through independent reconciliations, staff meeting feedback, rotating staff, supervisory review, and management review of reports. [Principle 16]

Various reconciliations are performed by program staff, including reconciliation of general ledger balances to departmental records, reconciliation of external financial reporting to general ledger balances and other applicable supporting documentation. Management is responsible for reviewing and approving the reconciliations on a monthly basis. Staff meetings are held on a regular basis. Staff meetings are held to disseminate information to staff and to provide a forum for staff members to bring internal control and other issues to management's attention.

- Periodic site visits are performed at decentralized locations and checks are performed to determine whether procedures are being followed as intended. [Principle 16]

(COSO POLICY CONTINUED)

The Accounting function is responsible for performing periodic site visits to assess whether or not departments are adhering to established policies and procedures. This involves meeting with program management and staff to assess their understanding of their roles and responsibilities and the required control activities. Additionally supporting documentation is reviewed to ensure that control activities are being performed as required and that department heads are providing the necessary oversight and supervision through review and approval of supporting documentation. For example, this oversight includes review and approval of purchase requisitions, invoices, time and effort documentation for staff being paid from Federal funds, account reconciliations and other pertinent documentation to ensure compliance with program requirements.

- Management meets with program monitors, auditors, and reviewers to evaluate the condition of the program and controls. [Principle 16]

The results of site visits, audits and other reviews are evaluated by management to determine whether internal controls are operating as designed and to assess the effectiveness of the internal controls at achieving the control objectives.

- Management follows up on irregularities and deficiencies to determine the cause. [Principle 17]

Any irregularities or deficiencies noted during the site visits are followed up on immediately by management. Management assesses whether or not the irregularities or deficiencies could result in a material noncompliance or a material weakness in internal controls. Based on this assessment, a determination is made as to whether or not there is a weakness in the design or operation of controls. If the deficiency relates to the operation of internal controls, the deficiency is addressed with the department head and staff members to ensure that controls operate as designed on a go-forward basis. If the deficiency relates to the design of internal controls, the controls are assessed and modifications to existing procedures are implemented to correct the deficiency.

- Internal audit routinely tests for compliance with Federal requirements. [Principle 17]

Internal audits are performed on an annual basis to verify compliance with grant agreements, laws and regulations pertaining to Federal awards and are performed by individuals independent of the department that is administering the Federal program. Any noncompliance noted in the internal audits is brought to the attention of the department head as well as management. Management requires the department head to develop corrective action plans and additional follow-up is completed to ensure that the corrective actions are implemented and that the deficiencies are satisfactorily resolved.

(COSO POLICY CONTINUED)

- If there is a governing Board, the Board reviews the results of all monitoring or audit reports and periodically assesses the adequacy of corrective action. [Principle 17]

Monitoring and auditing results are presented to the governing Board on an annual basis. The results of monitoring and audits are reviewed by the governing Board and the status of corrective actions is confirmed. In instances where corrective actions have not been fully implemented, the governing Board will provide the necessary oversight and follow-up to ensure that the corrective actions are taken.

III. REFERENCES

- [COSO Organization](#)

(This page intentionally blank)

TREASURY PRACTICES, PROCEDURES, AND POLICIES

The Office of the City Treasurer and Collector is responsible for a variety of key financial tasks, all of which require clear procedures and policies including the following:

- **Financial Safeguards**
The Treasurer/Collector is responsible for establishing appropriate controls, policies and procedures related to the collection of funds throughout the City.
- **Collection of Payments**
The Treasurer/Collector is responsible for the collection of all payments, including electronic fund transfers, cash, other payment tenders.
- **Issuance of Debt**
The Treasurer/Collector is responsible for assisting the CFO with the issuance of short-term and long-term debt, and
- **Disbursement of Funds**
Any money that the City spends is disbursed through the Treasurer/Collector.
- **Financial Reporting**
The Treasurer/Collector is responsible for reconciling bank accounts and the details of all receivables.

(This page intentionally blank)

INVESTMENT POLICY

EFFECTIVE DATES

Implementation Date 07/01/2015

Last Revision Date 05/30/2023

I. BACKGROUND AND PURPOSE

This section of the policy applies to most city funds such as general funds (including the city's stabilization and capital investment funds), special revenue funds, enterprise funds, bond proceeds and capital project funds. A separate contributory retirement board is responsible for the investment of the pension funds.

II. POLICY STATEMENT

Massachusetts General Laws Chapter 44 §55B requires the municipal/district treasurer to invest all public funds except those required to be kept divested for purposes of immediate distribution. Modern banking systems enable the public treasurer to maintain even these funds in interest bearing form until the date a disbursement order clears through the banking system.

The state law further requires that invested funds are to be placed at the highest possible rate of interest reasonably available, taking account of safety, liquidity and yield. Therefore, these guidelines are intended to further the objective of securing the highest return that is consistent with safety of principal while meeting the daily cash requirements for the operation of the entity's business.

- a. **Safety** of principal is the foremost objective of the investment program. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital through the mitigation of credit risk and interest rate risk. These risks shall be mitigated by the diversification and prudent selection of investment instruments and choice of depository. Credit risk is the risk of loss due to the failure of the security issuer or backer. Interest rate risk is the risk that the market value of the security will fall due to changes in general interest rates.
- b. **Liquidity** is the next most important objective. The overall investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Since all possible cash demands cannot be anticipated, the treasurer shall carry out investment activities in a manner that provides for meeting unusual cash demands without the liquidation of investments that could result in forfeiture of accrued interest earnings and loss of principal in some cases.

(INVESTMENT POLICY CONTINUED)

- c. **Yield** is the third, and last, objective. Investments shall be undertaken so as to achieve a fair market average rate of return, taking into account safety and liquidity constraints as well as all legal requirements.

III. INVESTMENT INSTRUMENTS

Note: Public investments in Massachusetts are not protected through provisions in state law. Therefore, they are largely uncollateralized. Many banking institutions are willing to put up collateral, albeit at a cost to the entity of a lower interest rate. The treasurer negotiates for the highest rates possible, consistent with safety principles.

The Lowell City Manager, and through her/ him, the CFO and City Treasurer may invest in the following instruments:

- a. Massachusetts State Pooled Fund: Unlimited amounts (pool is liquid).
- b. The Massachusetts Municipal Depository Trust (MMDT), an investment pool for state, local, county and other independent governmental authorities, is under the auspices of the State Treasurer and currently managed by Fidelity Investments. It invests in Bankers Acceptances, Commercial Paper of high quality, Bank Certificates of Deposit (C.D.s), Repurchase Agreements (Repos) and U. S. Treasury Obligations. It has Federal Deposit Insurance Corporation (F.D.I.C.) pass-through insurance on the C.D.'s and takes delivery on the Repos and Treasuries. Under Government Accounting Standards Board Regulation (GASB III), it is not considered an uncollateralized product.
- c. U. S. Treasuries that will be held to maturity: Unlimited amounts (up to one year maturity from date of purchase).
- d. U.S. Agency obligations that will be held to maturity: Unlimited amounts (up to one year maturity from date of purchase).
- e. Bank accounts or Certificates of Deposit, hitherto termed C.D.'s. (Up to one year) which are fully collateralized through a third party agreement: Unlimited amounts.
- f. Bank accounts and C.D.'s (up to one year) insured by F.D.I.C. up to \$100,000 limit. All bank accounts and C.D.'s in one institution are considered in the aggregate to receive the \$100,000 insurance coverage. In some cases banking institutions carry additional insurance, Depository Insurance Fund of Massachusetts (D.I.F.M). Unsecured bank deposits of any kind such as other checking, savings, and money market or Certificates of Deposit accounts at banks that do not fit the above categories. These investments are subject to the following limitations: These investments will be limited to no more than 5 percent of an institution's assets and no more than 10 percent of a municipality's cash. Their credit worthiness will be tracked by Veribanc, Sheshunoff, or

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(INVESTMENT POLICY CONTINUED)

other bank credit worthiness reporting systems. They will be diversified as much as possible. C.D.'s will be purchased for no more than three months and will be reviewed frequently.

- g. Money Market Mutual Funds that are registered with the Securities and Exchange Commission that have received the highest possible rating from at least one nationally recognized statistical rating organization and as otherwise referenced in the Massachusetts General Law Chapter 44 §55.

IV. DIVERSIFICATION

Diversification shall be interpreted in two ways: in terms of maturity, as well as instrument type and issuer. The diversification concept shall include prohibition against over-concentration of maturities as well as concentration in a specific institution. With the exception of U.S. Treasury obligations or investments fully collateralized by U.S. Treasuries or agencies, and state pools (MMDT), no more than 50 percent of the city's investments shall be invested in a single financial institution.

V. AUTHORIZATION

The Lowell City Treasurer authority to invest municipality/district funds, subject to the statutes of the Commonwealth of Massachusetts General Law Chapter 44 §§55,55A and 55B.

VI. ETHICS

The treasurer (and any assistant treasurers) shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. Said individuals shall disclose to the Chief Financial Officer and City Manager any material financial interest in financial institutions that do business with the City. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the City's investments.

VII. RELATIONSHIP WITH FINANCIAL INSTITUTIONS

Financial institutions shall be selected first and foremost with regard to safety. Municipalities/districts shall subscribe to and use one or more of the recognized bank rating services, such as Veribanc or Sheshunoff. Brokers shall be recognized, reputable dealers.

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(INVESTMENT POLICY CONTINUED)

When using the Veribanc rating service, the treasurer may invest in such banks that show a green rating in a particular quarter. If a rating is yellow, the treasurer shall contact the appropriate banking institution and request in writing an explanation of the change in rating and the expected time table for it to be changed to green.

If for a second quarter such rating has not been corrected, the treasurer shall consider removing all funds that are not collateralized, or carries some form of depositors insurance. If a rating moves to red, all money shall be immediately collateralized or covered by some form of depositors insurance or be removed from the banking institution. The treasurer shall require any brokerage houses and broker/dealers wishing to do business with the municipality to supply the following information to the treasurer:

- a. Audited financial statements.
- b. Proof of National Association of Security Dealers certification.
- c. A statement that the dealer has read the municipality's investment policy and will comply with it.
- d. Proof of credit worthiness (minimum standards: at least five years in operation and a minimum capital of 10 million dollars).

VIII. REPORTING REQUIREMENTS

On an annual basis, a report containing the following information will be prepared by the treasurer and distributed to the City Manager and the Chief Financial Officer. The annual report will include the following information, as a minimum requirement:

- a. A listing of the individual accounts and individual securities held at the end of the reporting period.
- b. A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this Investment Policy.
- c. A summary of the income earned on a monthly basis and year to date basis shall be reported.
- d. The municipal treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the City's cash position.
- e. The report shall demonstrate the degree of compliance with the tenets set forth in the Investment Policy.

IX. RESTRICTIONS

MGL Chapter 44 §55 set forth the several restrictions that the treasurer must be aware of when making investment selections, as follows:

- a. A treasurer shall not at any one time have on deposit in a bank or trust company an amount exceeding 60 percent of the capital and surplus of such bank or trust company, or banking company, unless satisfactory security is given to it by such bank or trust company, or banking company for such excess.

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(INVESTMENT POLICY CONTINUED)

- b. The treasurer shall not make a deposit in any bank, trust company or banking company that he is associated as an officer or employee, or has been the same for any time during the three years immediately preceding the date of any such deposit.
- c. All securities shall have a maturity from date of purchase of one year or less.
- d. Purchases under an agreement with a trust company, national bank or banking-company to repurchase at not less than original purchase price of said securities on a fixed date shall not exceed ninety days.

X. REFERENCES

- Massachusetts General Law Chapter 44 §§ 55, 55A and 55B

(This page intentionally blank)

DEBT MANAGEMENT AND CAPITAL INVESTMENT POLICY

EFFECTIVE DATES

Implementation Date 07/01/2019

Last Revision Date 05/30/2023

I. BACKGROUND AND PURPOSE

The use of long-term debt is a common and often necessary way for a community to address major infrastructure and equipment needs. It is also a means of spreading the cost of large capital projects over a larger, changing population base. However, when a local government incurs long-term debt, it establishes a fixed obligation for many years. Accumulation of such fixed burdens can become so great that a local government finds it difficult to pay both its operational costs and debt service charges. Great care and planning must therefore be taken when incurring long-term debt to avoid placing a strain on future revenues. The purpose of this policy is to establish guidelines governing the use of long-term debt and demonstrate our commitment to full and timely repayment of all debt issued.

Massachusetts General Laws, Chapter 44, Sections 7 & 8 regulate the purposes for which municipalities may incur debt, and the maximum maturity for bonds issued for each purpose. M.G.L. c. 44 §10 specifies that the debt limit for towns is 5% of Equalized Valuation. Based upon Lowell's current valuation, the debt limit would be approximately **\$301.4 million**. In accordance with M.G.L. c. 58 § 10C, the Commissioner of Revenue has determined that the equalized valuation for the City of Lowell as of 2022 is **\$11,375,052,400⁴**.

There are two "annual" limitations applicable to municipal debt. First if a municipality borrows \$5 million in a fiscal year, it may be subject to an arbitrage penalty. However, if it absolutely necessary to borrow that much in a year, the penalty may be avoided by spending the money within a certain time period (10% within 6 months; 45% within 12 months; 75% within 18 months; 100% within 2 years-5% contingency allowed). If a borrowing is over \$10 million (in one calendar year), it is considered not to be "bank qualified" (N.B. These limitations do not apply to loans from a state agency, such as the MWRA and MCWT.) "Non-qualified" issues prohibit some banking and underwriting institutions from bidding on the city's debt. Since the bidder, if holding the security in portfolio, will not be allowed to deduct the interest expense (**IRS Code 1986 Section 265 (b)(3)**).

Massachusetts General Law allows communities, subject to voter approval, to exclude certain debt from the limits imposed by Proposition 2 ½. A voter-approved exclusion for the purpose of raising funds for debt service costs is referred to as a "debt exclusion."

⁴ From the Department of Revenue, data available here: <https://dls.gateway.dor.state.ma.us/gateway/DLSPublic/LA19>

II. POLICY STATEMENT

- a. City of Lowell's 5-year Capital Improvement Plan ("CIP")
 - i. The city will develop a multiyear plan for capital improvements and update it annually.
 - ii. The city will maintain all its assets at a level adequate to protect the city's capital investment and to minimize future maintenance and replacement costs.
 - iii. The minimum threshold for consideration of a project for funding in the capital plan shall be \$25,000 and shall have a useful life of no less than 10 years.
 - iv. The city will enact an annual capital budget and adopt a loan order to properly fund the plan, based on the multiyear capital improvement plan. Future capital expenditures necessitated by changes in population, real estate development, or economic base will be calculated and included in capital budget projections.
 - v. The city, as part of its capital planning process, will project its equipment replacement and maintenance needs for the next several years and will update this projection each year. From this projection, a maintenance and replacement schedule will be developed and followed.
 - vi. The city will coordinate development of the capital improvement budget with development of the operating budget. Future operating costs associated with new capital improvements will be projected and included in operating budget forecasts.
 - vii. The city will determine the least costly financing method for all new projects.
 - viii. The city will identify the estimated costs and potential funding sources for each capital project proposal before it is submitted to city meeting for approval.
 - ix. The city will use intergovernmental assistance to finance only those capital improvements that are consistent with the capital improvement plan and priorities and whose operating and maintenance costs have been included in operating budget forecasts.

b. Capital Planning Review Committee:

- i. There shall hereby be established a committee of city officials who shall meet at least once each year to review and prioritize capital plan project funding requests for funding in the CIP. The Chief Financial Officer, or his/her designee, shall act as the chair of the Committee and communicate all recommendations to the City Manager. Representation from the following functional areas will be sought each year according to funding availability: facilities (DPW/ School Department), public safety (Police & Fire), economic development (DPD), transportation (DPD), infrastructure (DPW/ Engineering), and technology (MIS).

c. Bond Rating

The City of Lowell's bond rating is important because it determines the rate of interest it pays when selling bonds and notes as well as the level of market participation (number of bidders). Other things being equal, the higher the bond rating, the lower the interest rate. Bond analysts (Moody's, Standard & Poor's, and Fitch) typically look at four sets of factors in assigning a credit rating:

- i. *Debt Factors*: debt per capita, debt as a percentage of equalized valuation, rate of debt amortization and the amount of exempt versus non-exempt debt.
- ii. *Financial Factors*: operating surpluses or deficits, free cash as a percent of revenue, state aid reliance, property tax collection rates, and unfunded pension liability.
- iii. *Economic Factors*: property values, personal income levels, tax base growth, tax and economic base diversity, unemployment rates and population growth.
- iv. *Management Factors*: governmental structure, the existence of a capital improvement plan, the quality of accounting and financial reporting, etc.

The City will continually strive to improve its bond rating through sound financial management, improved receivables management, accounting and financial reporting, and increased reserves such as the Stabilization Fund.

d. Debt Guidelines

When updating the city's comprehensive 5-year capital plan the City Manager and Chief Financial Officer will consider the following factors in determining affordability of the plan:

- i. *General Fund Debt Service:* A limit on debt service costs as a percentage of the city's total budget is especially important because of Proposition 2 ½ constraints on the city's budget. At the same time, Lowell's regular and well-structured use of long-term debt signifies the municipality's commitment to maintaining and improving its infrastructure. Municipal credit analysts often use 10% as a maximum benchmark for financial soundness. The City of Lowell will, by policy, establish a debt service "ceiling" of 10%, meaning that annual debt service payable on bonded debt should not exceed 10% of the annual operating budget. The City will also, by policy, establish a debt service "floor" of 2% as an expression of support for continued investment in the town's roads, sewers, public facilities and other capital assets.
- ii. *Debt Maturity Schedule:* As previously stated, Chapter 44 of the General Laws specifies the maximum maturity for bonds issued for various purposes. A town may choose to borrow for a shorter period than allowed by the statutory limit. A reasonable maturity schedule not only reduces interest costs but balance the need to continually address capital improvements. The City of Lowell will, by policy, establish a goal of issuing debt for shorter periods than the maximum allowable when the statutory limit exceed 10 years. Exceptions may be made when grants, reimbursements or other situations warrant.

e. Debt Strategies

- i. *Alternative Financing Strategies:* The City will continually pursue opportunities to acquire capital by means other than conventional borrowing; such as grants, and low-or zero- interest loans from state agencies such as the Mass. Clean Water Trust (MCWT), and the Massachusetts School Building Assistance (MSBA).
- ii. *Debt Issuance:* The City will work closely with the City's Financial Advisor and Bond Counsel to ensure that all legal requirements are met and that the lowest possible interest rate can be obtained. This includes preparation of the all-important disclosure document (official statement), as well as preparation of the required documents to be signed by the City Manager and the Treasurer, and signed and notarized by the City Clerk.

f. Debt Limit Background

Under Massachusetts statutes, the General Debt Limit of the City of Lowell consists of a Normal Debt Limit (**Inside the Debt Limit**) and a Double Debt Limit (**Outside the Debt Limit**). The Normal Debt Limit of the City is 5% of the valuation of taxable property as last equalized by the State Department of Revenue (DOR). The City of Lowell can authorize debt up to this amount without State approval. It can authorize up to twice this amount (the Double Debt Limit) with the approval of the members of the municipal finance oversight board.

There are many categories of general obligation debt which are exempt from and do not count against the General Debt Limit. Among others, these exempt categories include revenue anticipation notes and grant anticipation notes, emergency loans, loans exempted by special laws, certain school bonds, sewer bonds, solid waste disposal facility bonds and, subject to special debt limits, bonds for water (limited to 10 percent of equalized valuation), housing urban renewal and economic development (subject to variation debt limits), electric and gas (subject to a separate limit equal to the General Debt Limit, including the same doubling provision). Industrial revenue bonds, electrical revenue bonds and water pollution abatement revenue bonds are not subject to these debt limits. The General Debt Limit and the special debt limit for water bonds apply at the time the debt is authorized. The other special debt limits generally apply at the time the debt is incurred.

g. Types of Obligations

- i. *General Obligations.* Massachusetts cities and towns are authorized to issue general obligation indebtedness of these types.
- ii. *Serial Bonds and Notes.* These are generally required to be payable in annual principal amounts beginning no later than the end of the next fiscal year commencing after the date of issue and ending within the terms permitted by law. A level debt service schedule, or a schedule that provides for a more rapid amortization of principal than level debt service, is permitted. The principal amounts of certain economic development bonds supported by tax increment financing may be payable in equal, diminishing or increasing amounts beginning within 5 years after the date of issue. The maximum terms of serial bonds and notes vary from one year to 40 years, depending on the purpose of the issue. The maximum terms permitted are set forth in the statutes. In addition, for many projects, the maximum term may be determined in accordance with useful life guidelines promulgated by the State Department of Revenue (“DOR”) Serial bonds and notes may be issued for the purposes set forth in the statutes. In addition, serial bonds and notes may be issued for any capital purpose set forth in the DOR useful life guidelines that has a useful life of at least 5 years. Bonds or notes may be made callable and redeemed prior to their maturity, and a redemption premium may be paid. Refunding bonds or notes may be issued subject to the maximum applicable term measured from the date of the original bonds or notes and must produce present value savings

(DEBT AND CAPITAL POLICY CONTINUED)

over the debt service of the refunded bonds. Generally, the first required annual payment of principal of the refunding bonds cannot be later than the first principal payment of any of the bonds or notes being refunded thereby, however, principal payments made before the first principal payment of any of the bonds or notes being refunded thereby may be in any amount.

Serial bonds may be issued as “qualified bonds” with the approval of the state Municipal Finance Oversight Board composed of the State Treasurer, the State Auditor, the Attorney General and the Director of Accounts, subject to such conditions and limitations (including restrictions on future indebtedness) as may be required by the Board. Qualified bonds may mature not less than 10 nor more than 30 years from their dates and are not subject to the amortization requirements described above. The State Treasurer is required to pay the debt service on qualified bonds and thereafter to withhold the amount of the debt service paid by the State from state aid or other state payments; administrative costs and any loss of interest income to the State are to be assessed upon the city or town.

- iii. *Tax Credit Bonds or Notes.* Subject to certain provisions and conditions, the officers authorized to issue bonds or notes may designate any duly authorized issue of bonds or notes as “tax credit bonds” to the extent such bonds and notes are otherwise permitted to be issued with federal tax credits or other similar subsidies for all or a portion of the borrowing costs. Tax credit bonds may be made payable without regard to the annual installments required by any other law, and a sinking fund may be established for the payment of such bonds. Any investment that is part of such a sinking fund may mature not later than the date fixed for payment or redemption of the applicable bonds.
- iv. *Bond Anticipation Notes (BAN).* These generally must mature within two years of their original dates of issuance, but may be refunded from time to time for a period not to exceed ten years from their original dates of issuance, provided that for each year that the notes are refunded beyond the second year they must be paid in part from revenue funds in an amount at least equal to the minimum annual payment that would have been required if the bonds has been issued at the end of the second year. For certain school projects, however, notes may be refunded from time to time for a period not to exceed seven years without having to pay any portion of the principal of the notes from revenue funds. The maximum term of bonds issued to refund bond anticipation notes is measured (except for certain school projects) from the date of the original issue of the notes

THE CITY’S FINANCIAL BASIS, POLICIES, AND PRACTICES

(DEBT AND CAPITAL POLICY CONTINUED)

III. POLICY DATA

Debt Ratios

Fiscal Year	General Obligation Bonds Outstanding	Population ⁵	Assessed Valuation ⁶	Net Debt Per Capita	Debt as a Percent of Assessed Valuation
2022	\$312,339,894	115,554	\$11,375,052,400	\$2,703	2.74%
2021	\$297,598,932	106,519	\$9,848,176,600	\$2,794	3.02%
2020	\$264,438,247	106,519	\$8,192,976,800	\$2,483	3.2%
2019	\$209,125,420	106,519	\$8,183,602,800	\$1,963	2.5%
2018	\$224,464,495	106,519	\$7,154,033,100	\$1,893	2.9%
2017	\$224,464,495	106,519	\$7,154,033,100	\$1,893	3.2%
2016	\$236,079,708	106,519	\$6,552,635,400	\$2,132	3.3%
2015	\$233,750,883	106,519	\$6,552,635,400	\$2,147	3.8%
2014	\$225,286,056	106,519	\$6,085,685,748	\$2,069	3.7%
2013	\$233,561,059	106,519	\$6,082,517,858	\$2,145	3.8%
2012	\$242,943,543	106,519	\$6,095,108,518	\$2,281	4.0%
2011	\$230,425,550	106,519	\$6,149,861,125	\$2,163	3.7%
2010	\$204,910,795	106,519	\$6,390,673,111	\$1,924	3.2%

⁵ Based on the 2010 federal census

⁶ 2014 equalized valuation is used for fiscal 2015 and 2016; 2016 equalized valuation is used for fiscal 2017 and fiscal 2018; 2018 equalized valuation is used for fiscal 2019 and fiscal 2020.

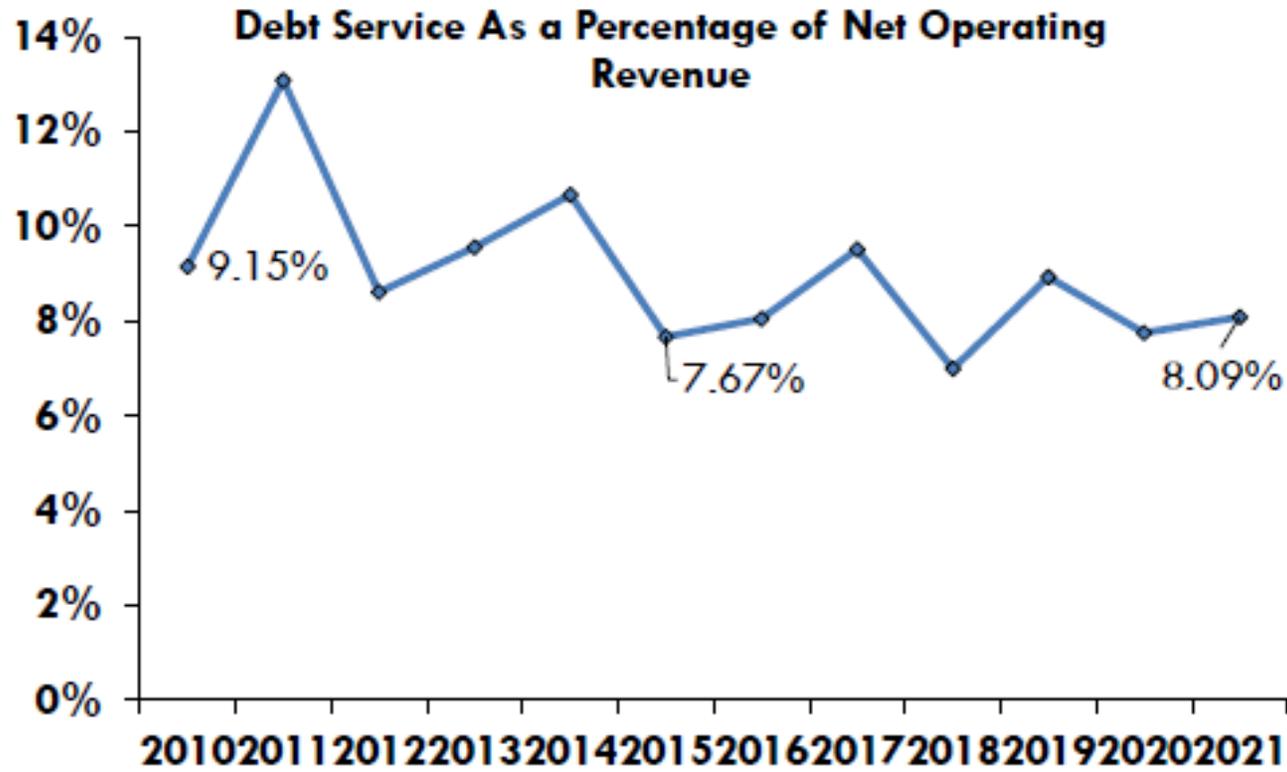
(DEBT AND CAPITAL POLICY CONTINUED)

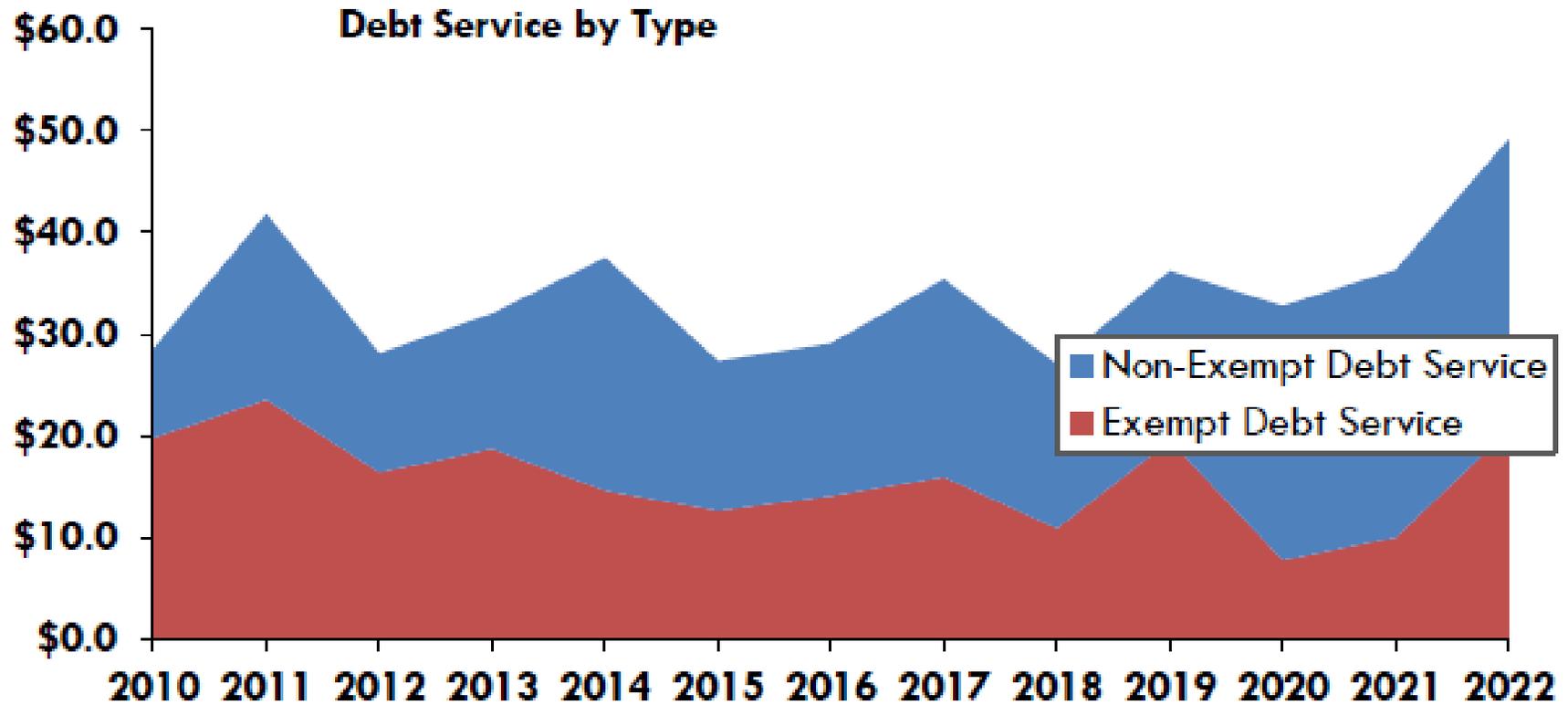
DEBT LIMIT CALCULATION

Equalized Valuation as of January 1, 2022	\$	11,375,052,400
Debt Limit (5% of Equalized Valuation)	\$	568,752,620
Total Outstanding Debt as of June 30, 2022 ⁷	\$	335,519,225
Total Authorized/ Unissued Debt as of June 30, 2022 (Approximate)	\$	453,627,196 ⁸
Total Outstanding Debt Plus Total Authorized/ Unissued Debt	\$	789,146,421
Amount of Outstanding Debt Outside the Debt Limit	\$	119,940,974
Appx. Amount of Authorized/ Unissued Debt Outside the Debt Limit	\$	401,816,968
Outstanding Debt plus Authorized/ Unissued Outside the Debt Limit	\$	521,757,942
Total Outstanding Debt Plus Total Authorized/ Unissued Debt	\$	789,146,421
Less: Outstanding Debt plus Authorized/ Unissued Outside the Debt Limit	\$	521,757,942
Debt Subject to the Debt Limit	\$	267,388,479
Debt Limit (5% of Equalized Valuation)	\$	568,752,620
Remaining Borrowing Capacity Under Debt Limit	\$	301,364,141

⁷ Projected debt as of 6/30/2022

⁸ Currently, the City has approximately \$453.6 million (excluding authorized refundings) of authorized unissued debt outstanding, comprised of the following: \$279.436 million school bonds authorized for construction and reconstruction of a new high school. The total amount authorized for this project will be reduced to the extent of school building grant funds paid to the City by the Massachusetts School Building Authority (MSBA). The reimbursement rate will be approximately 80% of reimbursable project costs. \$60.705 million sewer and \$43 million water bonds authorized for the reconstruction of water and sewer mains and facility upgrades throughout the City. The City is aggressively working to maintain and improve its water and sewer infrastructure. Financing will be through the Massachusetts Clear Water Trust. Rates will be raised to support this debt as it is issued. Additionally, the City will have authorized unissued debt of approximately \$40.731 million for various capital improvements.





THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(DEBT AND CAPITAL POLICY CONTINUED)

Fiscal Year	Non-Exempt Debt Service	Exempt Debt Service	Total Debt Service	Operating Revenue (Nominal Dollars)	As % of Net Operating Revenue		
					Non-Exempt	Exempt	Total
2010	\$ 8,772,837	\$ 19,749,123	\$ 28,521,960	\$ 311,614,472	2.82%	6.34%	9.15%
2011	\$ 18,282,169	\$ 23,530,310	\$ 41,812,479	\$ 319,564,905	5.72%	7.36%	13.08%
2012	\$ 11,707,044	\$ 16,360,667	\$ 28,067,711	\$ 325,858,417	3.59%	5.02%	8.61%
2013	\$ 13,354,711	\$ 18,663,538	\$ 32,018,249	\$ 334,833,448	3.99%	5.57%	9.56%
2014	\$ 22,932,844	\$ 14,554,290	\$ 37,487,134	\$ 351,338,279	6.53%	4.14%	10.67%
2015	\$ 14,706,321	\$ 12,594,257	\$ 27,300,578	\$ 355,962,520	4.13%	3.54%	7.67%
2016	\$ 15,028,717	\$ 14,029,292	\$ 29,058,009	\$ 360,734,739	4.17%	3.89%	8.06%
2017	\$ 19,445,681	\$ 15,911,406	\$ 35,357,087	\$ 371,583,434	5.23%	4.28%	9.52%
2018	\$ 16,135,296	\$ 10,854,914	\$ 26,990,210	\$ 385,434,653	4.19%	2.82%	7.00%
2019	\$ 16,720,570	\$ 19,477,934	\$ 36,198,504	\$ 405,306,163	4.13%	4.81%	8.93%
2020	\$ 24,996,632	\$ 7,738,799	\$ 32,735,431	\$ 422,128,078	5.92%	1.83%	7.75%
2021	\$ 26,336,301	\$ 9,957,758	\$ 36,294,059	\$ 448,640,572	5.87%	2.22%	8.09%
2022	\$ 28,698,305	\$ 20,506,633	\$ 49,204,938	\$ 488,948,866	5.87%	4.19%	10.06%

Data Source: City of Lowell Statement of Indebtedness (DOR Databank Reports)

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(DEBT AND CAPITAL POLICY CONTINUED)

Fiscal Year	Assessed Valuation	Bonds Outstanding	Population	Debt as % Assessed Valuation	Debt Per Capita
2010	\$ 6,390,673,111	\$ 220,050,595	106,519	3.44%	\$ 2,066
2011	\$ 6,149,861,125	\$ 238,410,550	107,571	3.88%	\$ 2,216
2012	\$ 6,095,108,518	\$ 256,583,545	108,522	4.21%	\$ 2,364
2013	\$ 6,082,517,858	\$ 247,590,510	108,861	4.07%	\$ 2,274
2014	\$ 6,085,685,748	\$ 227,206,056	110,235	3.73%	\$ 2,061
2015	\$ 6,332,311,813	\$ 233,750,883	110,699	3.69%	\$ 2,112
2016	\$ 6,683,928,991	\$ 236,079,708	111,250	3.53%	\$ 2,122
2017	\$ 7,090,285,250	\$ 237,392,385	111,728	3.35%	\$ 2,125
2018	\$ 7,664,201,191	\$ 246,269,331	111,670	3.21%	\$ 2,205
2019	\$ 8,187,814,400	\$ 238,383,416	110,997	2.91%	\$ 2,148
2020	\$ 9,043,323,474	\$ 303,803,103	110,997	3.36%	\$ 2,737
2021	\$ 9,848,176,600	\$ 312,607,939	113,994	3.17%	\$ 2,742
2022	\$ 11,375,052,400	\$ 335,519,225	113,994	2.95%	\$ 2,943

Data Source: City debt report, Municipal Databank, Statement of Indebtedness

IV. REFERENCES

- GFOA Best Practice, *Debt Management*. <https://www.gfoa.org/materials/debt-management-policy>
- M.G.L. c. 44 §§ 7-8

(This page intentionally blank)

RESERVE POLICY

EFFECTIVE DATES

Implementation Date 07/01/2018

Last Revision Date 05/01/2023

I. BACKGROUND AND PURPOSE

The purpose of this policy is ternary:

1. Preserve the creditworthiness of the City for borrowing monies at favorable interest rates;
2. Provide working capital to meet cash flow needs during the year;
3. Attempt to stabilize fluctuations from year to year in property taxes paid by the city's taxpayers.

This policy statement reflects the long-term policy guidelines that have been used by the City Manager's finance team, which are now fully engrained within the city's annual budget and 5-year Capital Plan ("CIP") processes. Each year the City Manager and Chief Financial Officer will review these policy statements with the City Council, informing the public of the City's desire to maintain the highest standards of governance.

II. POLICY STATEMENT

Fund Balance is an important indicator of a community's financial position. An adequate fund balance must be maintained to allow the City of Lowell to continue to meet its obligations in the event of an economic downturn and/or unexpected emergency. Therefore, the City of Lowell shall strive to achieve:

- An unassigned General Fund (GAAP) balance as of June 30 of each year equal to or greater than 10% of the ensuing fiscal year's tax levy and total general fund balance as of June 30 of each year equal to or greater than 7% of the ensuing fiscal year's operating revenue.

In order to achieve the goal of mitigating certain unforeseen future fiscal events, the City of Lowell shall annually appropriate an amount equal to at least 5% of the most recently certified "Free Cash" total by the Department of Revenue ("DOR") into the city's general, stabilization account.

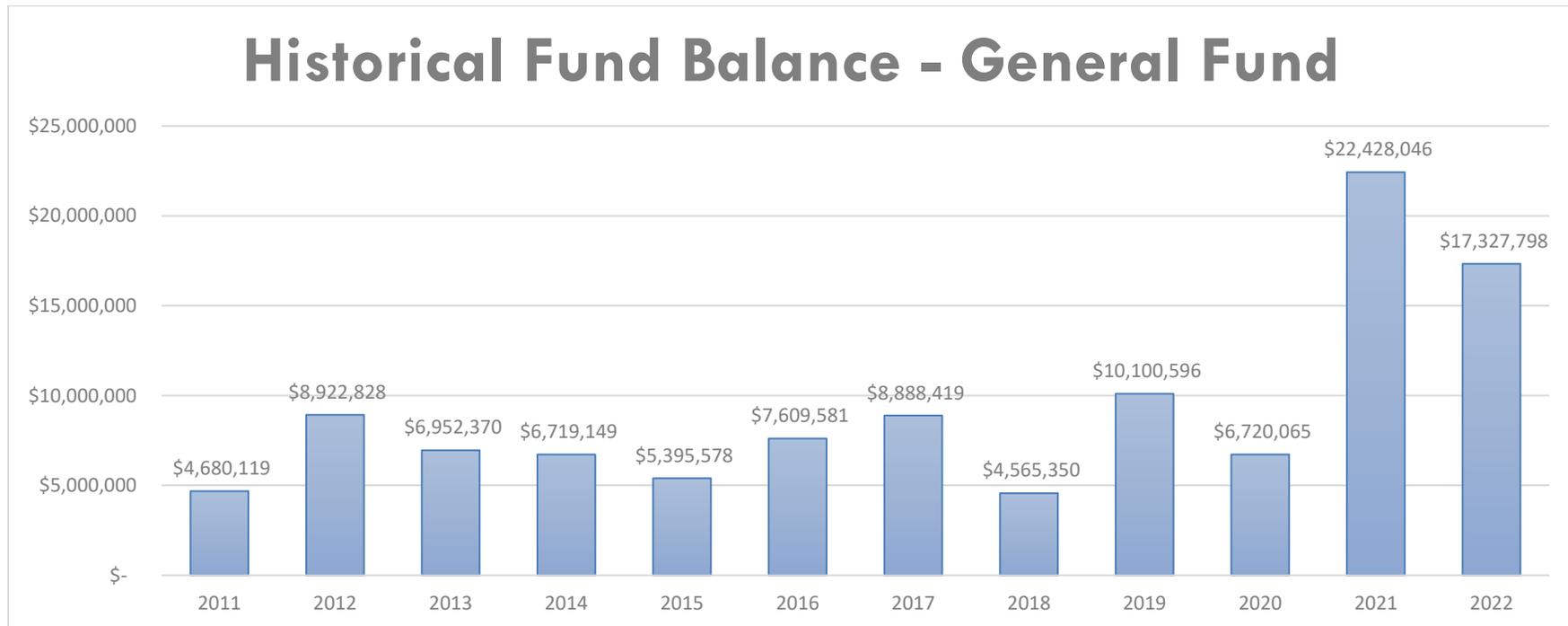
The City shall further utilize "Free Cash" to replenish any reduction in fund balance in the prior year, according to the city's audited Basic Financial Statements. In the event that the fund balance on the most recent audited statements of greater than 5%, the City Manager shall recommend an additional 5% appropriation by the City Council from the "Free Cash" total.

III. RESPONSIBILITY FOR POLICY

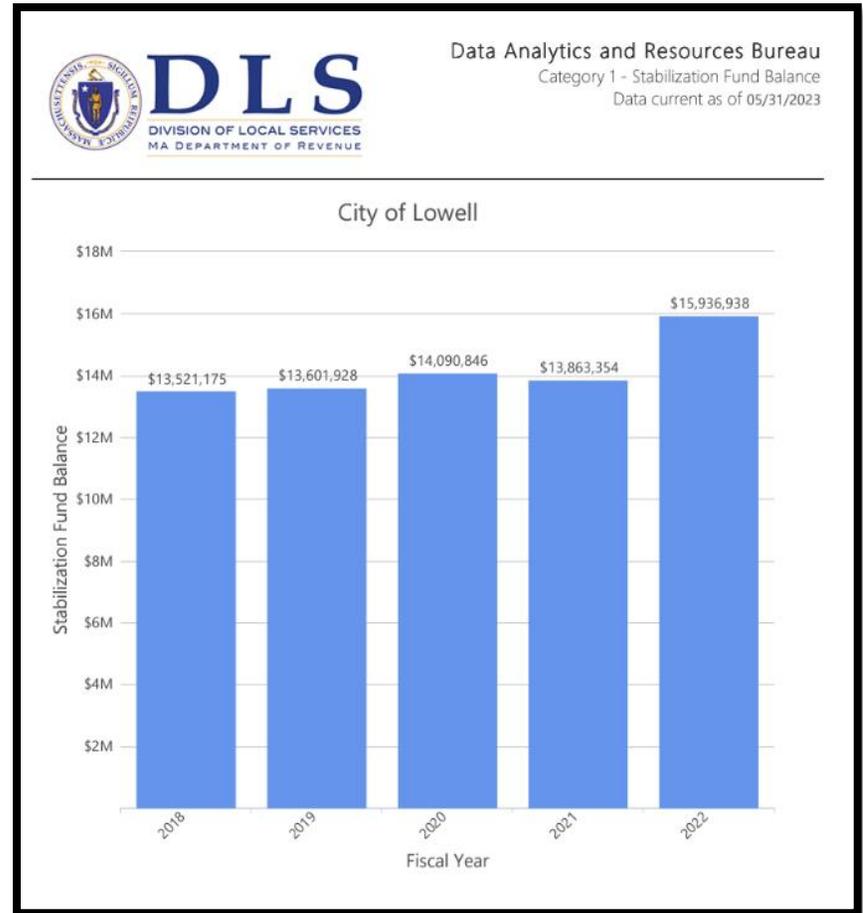
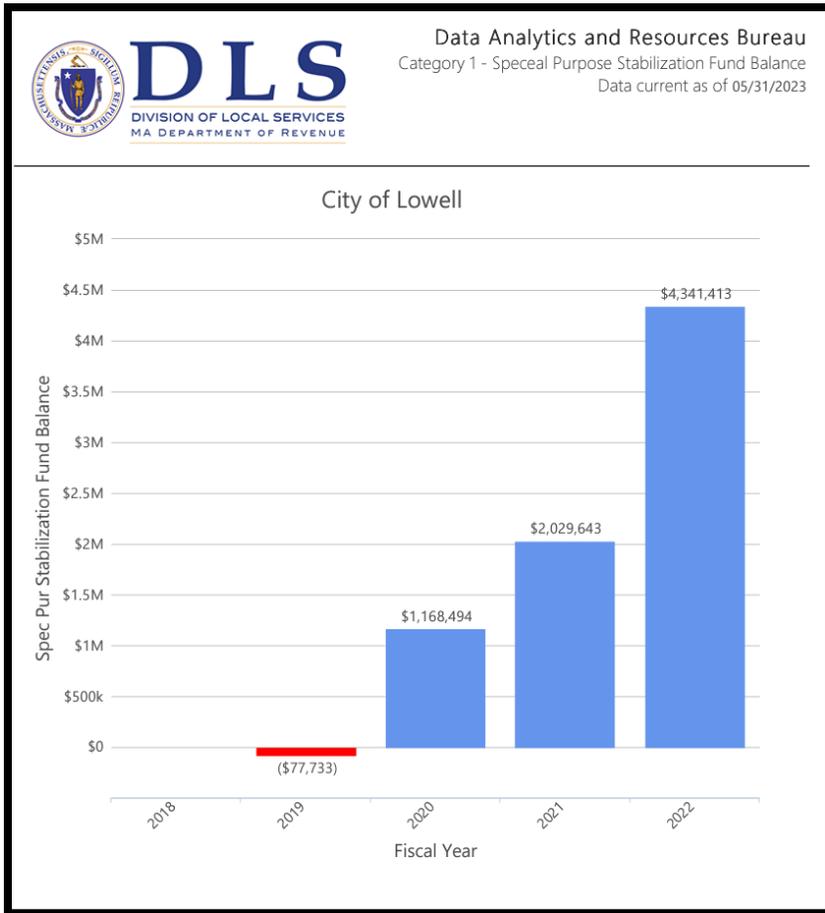
This policy applies to the Chief Financial Officer, City Auditor, Deputy Chief Financial Officer (CFO), and Treasurer/Collector. As part of the annual budget preparation process, the CFO and the Finance Team will estimate the surplus or deficit for the current year and prepare a projection of the year-end unreserved/undesignated general fund balance. Any anticipated balance in excess of the targeted maximum unreserved/undesignated fund balance may be budgeted to reduce the ensuing year's property tax levy or fund one-time capital projects.

This policy shall be reviewed during the City's Annual Budget and Public Investment Program process.

IV. POLICY DATA



(RESERVE POLICY CONTINUED)

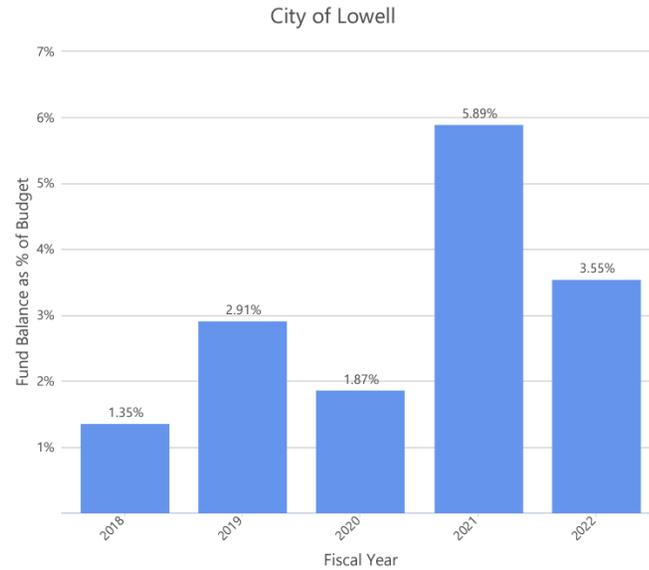


* Data as of 5/30/2023.

(RESERVE POLICY CONTINUED)



Data Analytics and Resources Bureau
Category 1 - Unreserved Undesignated Fund Balance (UUFB)
as % of Budget
Data current as of 05/31/2023



V. REFERENCES

- M.G.L. Chapter 40 § 5B
- Government Finance Officers Association Best Practice, *Fund Balance Guidelines for the General Fund*, September 2015. (<https://www.gfoa.org/fund-balance-guidelines-general-fund>)

CITY OF LOWELL OPEB FUNDING POLICY

EFFECTIVE DATES

Implementation Date 07/01/2019

Last Revision Date 05/31/2023

I. BACKGROUND AND PURPOSE

The Government Finance Officers Association (GFOA) recommends that governments prefund their obligations for postemployment benefits other than pensions (OPEB) once they have determined that the employer has incurred a substantial long-term liability. In most cases, employers can make long-term investments to cover these obligations through a separate trust fund that should, over time, result in a lower total cost for providing postemployment benefits.

In November of 2013, the Lowell City Council adopted M.G.L., c. 32B § 20 and subsequently established an OPEB trust.

II. POLICY STATEMENT

The purpose of this policy is to establish guidelines for the management of the impact of the City's Other Post-Employment Benefits (OPEB) liability on the overall budget and credit rating, within the context of the City's long-term obligations to its retirees. The Other Post-Employment Benefits (OPEB) Liability Trust Fund was initially established with the acceptance of Chapter 32B, Section 20, of the Massachusetts General Laws of the Lowell City Council, which requires the segregation of funds to address the City's actuarial liability. The custodian of the OPEB Trust Fund is the City Treasurer, under the general direction of the Chief Financial Officer. The City of Lowell's OPEB trust fund is currently managed by Bartholomew & Company with the purpose of investing funds that are designated for addressing the City's OPEB liability. Transfers into, and withdrawals from, the OPEB Trust Fund require a vote by the City Council, upon recommendation by the City Manager.

a. FUNDING SOURCES

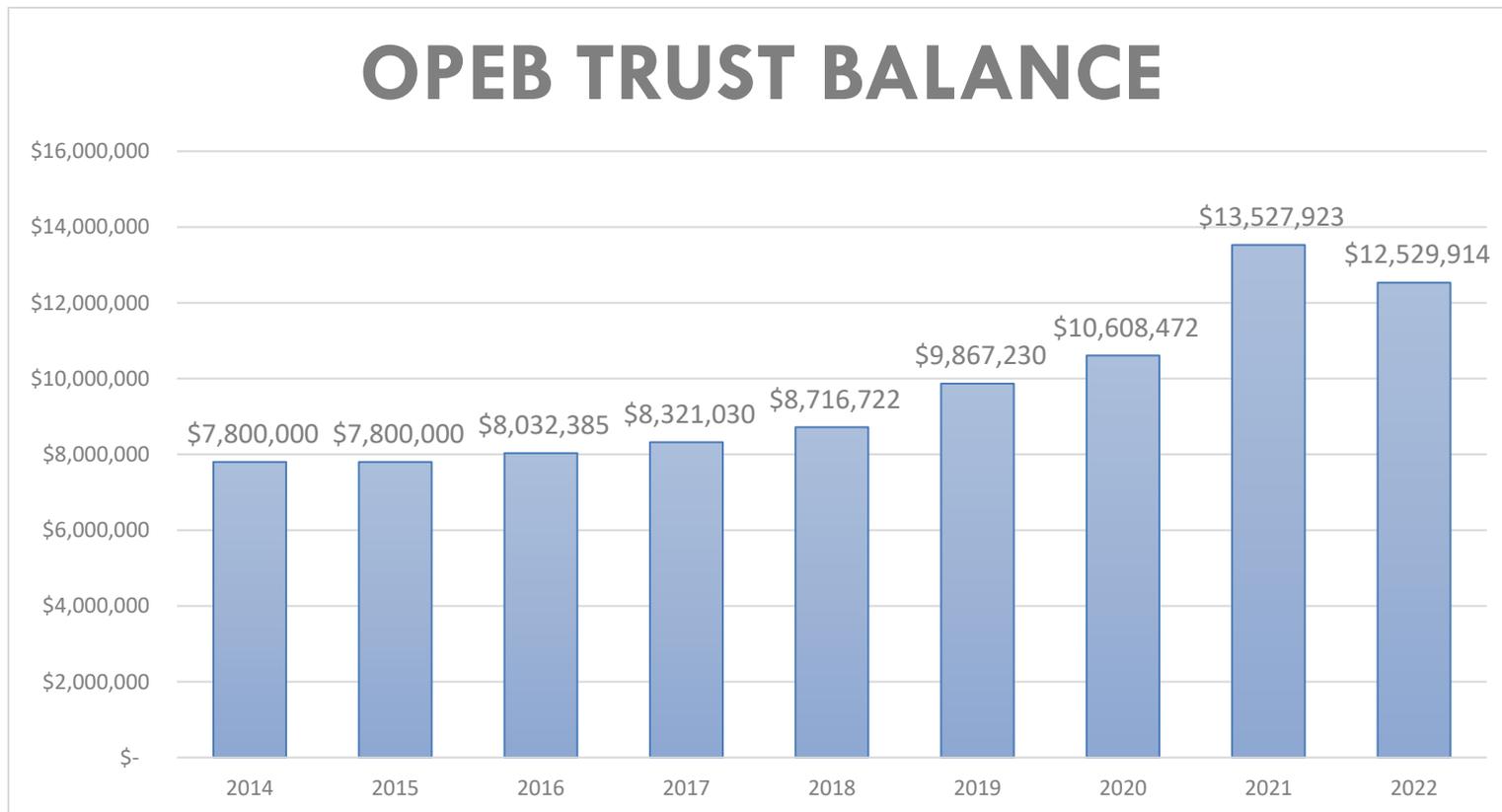
The OPEB Trust Fund shall be supported by transfers from multiple funding sources, potentially including taxation, enterprise fund revenue and/or "free cash".

- i. At minimum, the City will seek to appropriate \$250,000 (beginning in FY2021) from the appropriation for health insurance as part of each fiscal year's operating budget, as well as an amount equivalent to at least 5% of certified General Fund "free cash" for deposit into the OPEB Trust Fund on an annual basis.

(OPEB POLICY CONTINUED)

- ii. In addition, funding will be designated from the individual enterprise funds to offset the funds' overall share of assigned liabilities as determined by the most recent actuarial study. All interest proceeds generated by the accumulated deposits shall accrue to the Trust Fund.
- iii. When the City of Lowell fully funds its pension liability after approximately FY2036, the surplus available funding will be redirected towards OPEB in its entirety. The appropriation will not result in a reduction in the city's other funding commitments as outlined above.

III. POLICY DATA



THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(OPEB POLICY CONTINUED)

	Projected PAYGO Cost	Plan Fiduciary Net Position	Delta for 1 year of PAYGO	Delta for 2 years of PAYGO	Cost to get to 1 year PAYGO (\$894K per year flat)	Delta for 1 year of PAYGO	Cost to get to 2 years PAYGO (\$2.67M per year flat)	Delta for 2 years of PAYGO	Cost to get to 1 year PAYGO (\$650K at 3.5%)	Cost to get to 2 years PAYGO (\$2M at 3.5%)
FY18	18,831,118	8,716,722	10,114,396	28,945,514						
FY19	19,142,424	9,021,807	10,120,617	29,263,041	894,140.47	9,226,476.53	2,670,276.21	26,592,764.79	650,000.00	2,000,000.00
FY20	19,673,362	9,337,570	10,335,792	30,009,154	1,788,280.95	8,547,511.05	5,340,552.42	24,668,601.58	1,322,750.00	4,070,000.00
FY21	19,604,149	9,664,385	9,939,764	29,543,913	2,682,421.42	7,257,342.58	8,010,828.63	21,533,084.37	2,019,046.25	6,212,450.00
FY22	19,817,912	10,002,638	9,815,274	29,633,186	3,576,561.89	6,238,712.11	10,681,104.84	18,952,081.16	2,739,712.87	8,429,885.75
FY23	20,446,681	10,352,730	10,093,951	30,540,632	4,470,702.37	5,623,248.63	13,351,381.05	17,189,250.95	3,485,602.82	10,724,931.75
FY24	20,882,978	10,715,076	10,167,902	31,050,880	5,364,842.84	4,803,059.16	16,021,657.26	15,029,222.74	4,257,598.92	13,100,304.36
FY25	21,517,717	11,090,104	10,427,613	31,945,330	6,258,983.32	4,168,629.68	18,691,933.47	13,253,396.53	5,056,614.88	15,558,815.02
FY26	22,393,563	11,478,258	10,915,305	33,308,868	7,153,123.79	3,762,181.21	21,362,209.68	11,946,658.32	5,883,596.40	18,103,373.54
FY27	23,489,774	11,879,997	11,609,777	35,099,551	8,047,264.26	3,562,512.74	24,032,485.89	11,067,065.11	6,739,522.27	20,736,991.61
FY28	24,488,321	12,295,797	12,192,524	36,680,845	8,941,404.74	3,251,119.26	26,702,762.11	9,978,082.89	7,625,405.55	23,462,786.32
FY29	25,411,963	12,726,150	12,685,813	38,097,776	9,835,545.21	2,850,267.79	29,373,038.32	8,724,737.68	8,542,294.75	26,283,983.84
FY30	26,384,815	13,171,565	13,213,250	39,598,065	10,729,685.68	2,483,564.32	32,043,314.53	7,554,750.47	9,491,275.07	29,203,923.28
FY31	27,367,836	13,632,570	13,735,266	41,103,102	11,623,826.16	2,111,439.84	34,713,590.74	6,389,511.26	10,473,469.69	32,226,060.59
FY32	28,339,312	14,109,710	14,229,602	42,568,914	12,517,966.63	1,711,635.37	37,383,866.95	5,185,047.05	11,490,041.13	35,353,972.71
FY33	29,542,647	14,603,550	14,939,097	44,481,744	13,412,107.11	1,526,989.89	40,054,143.16	4,427,600.84	12,542,192.57	38,591,361.76
FY34	30,360,310	15,114,674	15,245,636	45,605,946	14,306,247.58	939,388.42	42,724,419.37	2,881,526.63	13,631,169.31	41,942,059.42
FY35	31,432,382	15,643,688	15,788,694	47,221,076	15,200,388.05	588,305.95	45,394,695.58	1,826,380.42	14,758,260.24	45,410,031.50
FY36	32,583,490	16,191,217	16,392,273	48,975,763	16,094,528.53	297,744.47	48,064,971.79	910,791.21	15,924,799.35	48,999,382.60
FY37	33,746,579	16,757,910	16,988,669	50,735,248	16,988,669.00	-	50,735,248.00	-	17,132,167.32	52,714,360.99

IV. INVESTMENT POLICY STATEMENT

The primary purpose of this Investment Policy Statement (the “IPS”) is to provide a clear understanding regarding the City of Lowell (the “City”) OPEB Trust’s (the “Trust”) investment objectives, performance goals, and risk tolerance.

A. Scope

This IPS applies to all funds that are separately designated as long-term OPEB funds for the City or any of its separately identified enterprises. Any additional contributions to the Trust will be maintained in the same manner.

B. Authority

Massachusetts General Law Chapter 32B, Section 20 allows a city, City, county or municipal lighting plant to set up a special trust fund, the Other Post-Employment Benefits (OPEB) Liability Trust Fund. The governmental unit’s treasurer is the custodian of the fund or in the case of a light plant, an officer designated by the board. Investment of fund monies by the custodian must be consistent with the prudent person standard set forth in Massachusetts General Law Chapter 203C for private trust funds. Interest earned on the investment of fund monies belongs to the fund.

C. Diversification

The following asset classes can be included in the Trust in order to construct a diversified investment portfolio that is both prudent and appropriate given the City’s actuarial assumed discount rate, target rate of return, investment objective, and risk tolerance. The investment parameters and asset allocation definitions that will govern the Investment Manager of the diversified portfolio are included in the addendums to this IPS.

Equities

The primary objective of the Trust’s equity allocation is to provide long-term total returns that are, at a minimum, consistent with appropriate broad market indexes through full market cycles.

The Investment Manager of the diversified portfolio can purchase and manage the equity allocation using individual equities, such as domestic common stocks, preferred stocks, and/or American-Depository Receipts (ADRs).

(OPEB POLICY CONTINUED)

The Investment Manager can also utilize other investments such as, mutual funds, exchange traded funds, closed-end funds, etc. Total equity exposure is able to include, both domestic and international equities, both developed and emerging countries and geographic regions, as well as large-, mid-, and small-market capitalization weighted companies. Direct holdings of common stock, preferred stock, and/or ADRs in any one company should not exceed 5% of the market value of the invested portfolio.

Investing directly in real estate, private placements, letter stock, or initial public offerings is strictly prohibited. The Investment Manager of the diversified portfolio shall not engage directly in margin transactions, short sales, or any other leveraged or inverse investment vehicles. Mutual funds, exchange-traded funds, and closed-end funds, however, may engage in margin, leverage, and/or short sales. Investing directly in unit-investment trusts (UITs) and business development companies (BDCs) are strictly prohibited.

Fixed Income

The primary objectives of the Trust's fixed income allocation are to preserve capital and generate a reasonable level of cash flow. The secondary objective is to provide price returns that exhibit lower correlation to the broad global equity markets in order to reduce the overall risk of the portfolio.

The Investment Manager of the diversified portfolio can purchase and manage the fixed income allocation using individual bonds that are United States Dollar denominated only. Issuer selection can include domestic corporate bonds and any obligations of the United States Government and/or its agencies.

The Investment Manager can also utilize other investment vehicles such as, mutual funds, exchange traded funds, closed-end funds, etc. Total fixed income exposure is able to include, both domestic and international bonds, both developed and emerging countries and geographic regions. Direct holdings of individual corporate bonds in any one company should not exceed 5% of the market value of the invested portfolio; however, this is not applicable to the United States Government and/or its agencies. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds.

Investing directly in real estate, mortgages, collateral or non-collateral loans, private placements, fixed income or interest rate futures, or any other specialized fixed income ventures is strictly prohibited. Investing directly in unit-investment trusts (UITs) and business development companies (BDCs) are strictly prohibited.

Alternative Investments

The primary objective of the Trust's alternative allocation is to provide long-term capital appreciation that is less correlated to broad global equity and fixed income indexes.

The Investment Manager of the diversified portfolio can only purchase those strategies that are deemed to be alternative through daily-liquid diversified investment vehicles such as, mutual funds, exchange-traded funds, closed-end funds, etc. The only exceptions to the daily liquidity rule are private equity and real estate exposures and investment strategies. Private equity vehicles may also hold private debt as part of a diversified strategy.

Investing directly in unit-investment trusts (UITs) and business development companies (BDCs) are strictly prohibited.

Cash and Cash Equivalents

Cash will be maintained to provide periodic cash distributions, when necessary. Cash will not normally be held as a strategic investment asset, although the Investment Manager may seek to allow cash to build to the maximum level in times of market uncertainty.

D. Specific Risks

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The City will manage credit risk several ways. There will be no limit to the amount of United States Treasury and United States Government Agency obligations.

In regard to fixed-income investments, the City will only purchase investment grade securities. Lower-quality investments may only be held through diversified vehicles, such as mutual funds or exchange-traded funds. Investments in fixed income securities will be made primarily for income and capital preservation.

Custodial Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.

The City will review the financial institution's financial statements and the background of the sales representative. The intent of this qualification is to limit the City's exposure to only those institutions with a proven financial strength, Capital adequacy of the firm, and overall affirmative reputation in the municipal industry.

Further, all securities not held directly by the City, will be held in the City's name and tax identification number by a third-party custodian approved by the Treasurer and evidenced by safekeeping receipts showing individual CUSIP numbers for each security.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

The City will minimize Concentration of Credit Risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. As stated above, securities of a single corporate issuer (with the exception of the United States Government and its Agencies) will not exceed 5% of the portfolio value.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City will manage interest rate risk by managing duration, as a measure of interest rate sensitivity, in the Trust.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign monetary exchange rates will adversely affect the fair value of an investment or a deposit. The City will, as much as feasible, mitigate foreign currency risk.

E. Standards of Care

The standard of prudence to be used by the Treasurer shall be the “Prudent Person” standard and shall be applied in the context of managing an overall portfolio. The Treasurer acting in accordance with written procedures and this IPS, and exercising reasonable due diligence, shall be relieved of personal responsibility for an individual security’s credit risk or market price changes, provided the purchases and sale of securities is carried out in accordance with the terms of this IPS.

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs; not for speculation, but for investment considering the probable safety of their capital as well as the probable income to be derived.

In addition, this section would also apply to M.G.L. Chapter 44 Section 55A which refers to the liability of the Treasurer for losses due to bankruptcy.

F. Ethics

The Treasurer and Assistant Treasurer shall refrain from any personal activity that may conflict with the proper execution of the investment program or which could impair or appear to impair ability to make impartial investment decisions. The Treasurer shall disclose to the City Manager any material financial interest in financial institutions that do business with the City. They shall also disclose any large personal financial investment positions or loans that could be related to the performance of the City's investments.

G. Relationship with Financial Institutions

Financial institutions should be selected first and foremost with regard to their financial soundness and stability. Brokers should be recognized, reputable dealers. All cash and securities shall be held in either a bank that is allowable for the deposit of public funds, provided funds on deposit are insured by the Federal Deposit Insurance Corporation (FDIC), or in an Investment Brokerage Account that is insured by the Securities Investor Protection Corporation (SIPC). If a banking institution is selected as manager, the City will subscribe to Veribanc[®], a recognized bank rating service.

The Treasurer shall require any brokerage houses and broker/dealers, wishing to do business with the City, to supply the following information to the Treasurer:

- Annual financial statements
- If acting as a Registered Investment Adviser, Form ADV Part II report
- Errors & Omissions insurance amounting to, at a minimum, the total fair market value of the Trust Funds Portfolio.
- A statement that the Advisor has read the City's IPS and will comply with it on an annual basis
- Annual review all advisors through www.finra.org: Broker Check

H. Reporting Requirements

On a Semi-Annual basis, a report containing the following information will be prepared by the Treasurer and distributed to the City Manager, as appropriate. The semi-annual report will include the following information, as a minimum requirement:

- A listing of the individual accounts and individual securities held at the end of the reporting period.
- A listing of the short-term investment portfolio by security type and maturity to ensure compliance with the diversification and maturity guidelines established in the "Diversification" section of this IPS.
- A summary of the income earned on a monthly basis and year-to-date basis shall be reported.
- The Treasurer shall include in the report a brief statement of general market and economic conditions and other factors that may affect the City's cash position.
- The report should demonstrate the degree of compliance with the tenets set forth in the IPS.

I. Performance Measurement and Evaluation

- The individual and custom benchmarks that will be monitored for performance reporting and analysis of the Trust's portfolio are stated and described in the addendums to this IPS.
- It is expected that the respective asset classes of the Trust's diversified portfolio will outperform their respective benchmarks, net of fees and expenses, on a long term (market cycle) basis.

J. Supervision

- The Treasurer will meet with the investment manager(s) as frequently as semi-annually to monitor the performance of the funds and the investment manager(s) compliance with these guidelines. The Treasurer will receive and review portfolio management reports semi-annually.
- The Treasurer will review this Investment Policy Statement at least once a year to ensure that it remains appropriate and complete.
- The Treasurer has the option to review the management of funds to consider going out to bid periodically.

V. REFERENCES

- GFOA Best Practice, *Establishing and Administering an OPEB Trust* (<https://www.gfoa.org/establishing-and-administering-opeb-trust>), September 2016.
- M.G.L. c. 32B § 20
- M.G.L. c. 203C § 1-11
- M.G.L. c. 41 § 46

CONTINUING DISCLOSURE POLICY

EFFECTIVE DATES

Implementation Date 07/01/2020

Last Revision Date 05/31/2023

I. BACKGROUND AND PURPOSE

In order to sell most types of bonds, the municipal issuer must enter into a written agreement or undertaking to make certain annual financial information about the issuer publicly available for as long as any bonds remain outstanding. The contractual obligation by the municipal issuer to make information available on an annual basis is referred to as “continuing disclosure.” The exact type of information required to be updated annually and publicly disclosed typically differs depending on the type of bond issue, but generally consists of the annual financial statements of the issuer and certain specific operating data.

II. POLICY STATEMENT

Federal securities laws prohibit making any untrue statement of a material fact or omitting any material fact necessary in order to make disclosure statements, in the light of the circumstances under which they were made, not misleading. City of Lowell, Massachusetts (the “Issuer”) has executed continuing and/or significant events disclosure certificates (generally referred to herein as “disclosure agreements”) in connection with the Issuer’s bond and note issues (generally referred to herein as “bonds”). The Issuer’s preliminary official statements and final official statements (generally referred to herein as “official statements”) describe compliance with the Issuer’s disclosure agreements. The Issuer has adopted these procedures to ensure compliance with the Issuer’s disclosure agreements in a manner that is consistent with federal securities laws. These procedures will be reviewed and will be updated as necessary to accurately reflect the responsibilities of the Issuer’s finance team.

The financial officer of the Issuer (or such other officer as may from time to time be designated by the Issuer’s Chief Executive Officer, as defined in M.G.L. c.4, §7) (the “Compliance Officer”) will take primary responsibility for (A) ensuring the timeliness and sufficiency of the Issuer’s disclosure filings and (B) ensuring the accuracy of the Issuer’s official statements regarding compliance with the disclosure agreements, each as further described below. Hilltop Securities Inc. has been retained by the Issuer (the “Dissemination Agent”) to assist the Issuer with the making of the various filings required by its disclosure agreements.

Disclosure Agreement Requirements

The Issuer has agreed to provide certain information for the benefit of the owners of the Issuer’s bonds, and to assist purchasers of the Issuer’s bonds in complying with Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (as amended, the “Rule”). The requirements of the Issuer’s disclosure agreements are generally described below. The respective disclosure agreements, which shall be maintained by the Compliance Officer, should be consulted for a full description of the Issuer’s obligations under such agreements.

I. Annual Reports

The Issuer has agreed to provide Annual Reports that contain:

1. Quantitative information for the preceding fiscal year of the type presented in the Issuer's applicable Official Statement regarding (i) the revenues and expenditures of the Issuer relating to its operating budget, (ii) capital expenditures, (iii) fund balances, (iv) property tax information, (v) outstanding indebtedness and overlapping debt of the Issuer, (vi) pension obligations of the Issuer, and (vii) other post-employment benefits liability of the Issuer; and

2. The most recently available audited financial statements of the Issuer, prepared in accordance with generally accepted accounting principles, with certain exceptions permitted by the Massachusetts Uniform Municipal Accounting System promulgated by the Department of Revenue of the Commonwealth. If audited financial statements for the preceding fiscal year are not available when the Annual Report is submitted, the Annual Report will include unaudited financial statements for the preceding fiscal year and audited financial statements for such fiscal year shall be submitted when available.

The Annual Report is due not later than 270 days after the end of each fiscal year, or as otherwise specified in an applicable disclosure agreement. If the Issuer is unable to provide an Annual Report to the Municipal Securities Rulemaking Board (MSRB) via its Electronic Municipal Market Access (EMMA) website by the due date, the Issuer shall post notice on EMMA regarding its inability to make a timely filing of this information.

The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information from other documents, including official statements of debt issues of the Issuer or related public entities which are available to the public on EMMA, provided that the audited financial statements of the Issuer may be submitted when available separately from the balance of the Annual Report.

II. Reporting of Significant Events

The Issuer has agreed to file a notice with the MSRB of any of the events enumerated below with respect to the Issuer's bonds. Any such notice shall be filed in a timely manner not in excess of ten business days after the occurrence of the event.

1. Principal and interest payment delinquencies.
2. Non-payment related defaults, if material.
3. Unscheduled draws on debt service reserves reflecting financial difficulties.

(DISCLOSURE POLICY CONTINUED)

4. Unscheduled draws on credit enhancements reflecting financial difficulties.
5. Substitution of credit or liquidity providers, or their failure to perform.
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the bonds, or other material events affecting the tax status of any of the bonds.
7. Modifications to rights of the registered owners, including beneficial owners, of the bonds, if material.
8. Bond calls, if material, and tender offers.
9. Defeasances.
10. Release, substitution or sale of property securing repayment of any of the bonds, if material.
11. Rating changes.
12. Bankruptcy, insolvency, receivership or similar event of an obligated person (as such term is defined in the Rule).*
13. The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of an obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of an obligated person.

15. Incurrence of a financial obligation of an obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of an obligated person, any of which affect the registered owners, including beneficial owners, of the bonds, if material.†
16. Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of an obligated person, any of which reflect financial difficulties.†

A. Ensure Timeliness and Sufficiency of Disclosure Filings

I. Annual Reports

The Compliance Officer will take primary responsibility for ensuring that the Issuer's Annual Report is assembled to include the information required by the relevant disclosure agreement and is filed on EMMA within 270 days after the end of the Issuer's fiscal year, or as otherwise specified in an applicable disclosure agreement. The Issuer's Annual Report will be posted on EMMA by the Dissemination Agent. To ensure the Issuer's Annual Reports are complete, accurate and not misleading, the Issuer agrees to take the following steps, adjusted as appropriate to coordinate with the Issuer's disclosure agreements and internal procedures:

1. The Compliance Officer will assemble a finance team of relevant officials of the Issuer;
2. The Compliance Officer will submit a draft of the Annual Report to the finance team for review on or before March 1 of each calendar year;
3. The finance team will review the Annual Report and consult with relevant officials of the Issuer, the Issuer's municipal advisor, bond counsel, disclosure counsel and general counsel, as appropriate, regarding any questions that arise with respect to the accuracy or completeness of the Annual Report to ensure that it is accurate, complete and not misleading;

† For purposes of event numbers 15 and 16, the term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" excludes municipal securities for which a final official statement has been provided to the MSRB consistent with the Rule. In the case of a Massachusetts municipality, a "financial obligation" would include, among other things and *if material*, any bonds or notes for which a final official statement has not been filed with the MSRB, bonds and interim loan notes issued through the Massachusetts Clean Water Trust, so-called "state house" notes, loans obtained through the Massachusetts Water Resources Authority, bonds issued through the United States Rural Development Administration, letters of credit, and lease purchase agreements.

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(DISCLOSURE POLICY CONTINUED)

4. The finance team will make such changes as are necessary to ensure that the Annual Report is accurate, complete and not misleading;
5. When the Annual Report is final and all questions regarding its accuracy and completeness and any potentially misleading statements have been resolved, the finance team will provide written or email confirmation to the Compliance Officer prior to the filing deadline confirming that the Annual Report is ready for filing; and
6. The Compliance Officer will arrange for filing of the Annual Report on EMMA on or before the date that is 270 days after the end of the Issuer's fiscal year, or as otherwise specified in an applicable disclosure agreement.

In addition, to ensure timely filing of the Issuer's Annual Report, the Compliance Officer will utilize an alert system (e.g., alerts from EMMA, DAC (Digital Assurance Certification, LLC) and/or electronic calendar notifications) with respect to the following:

7. The March 1 deadline for submitting the Annual Report to the finance team;
8. The Annual Report filing deadline; and
9. Additional internal deadlines, as appropriate.

II. Reporting of Significant Events

The Compliance Officer will review and monitor the events specified in the Issuer's disclosure agreements to ensure that notice is posted in a timely manner, not in excess of ten business days after the occurrence of an event. Any event notices will be posted on EMMA by the Dissemination Agent. Among other procedures as may coordinate with the Issuer's internal procedures, the Compliance Officer will:

1. Utilize an alert system of the nature described above to ensure the Compliance Officer periodically reviews the events specified in the Issuer's disclosure agreements to determine whether any event may have occurred that requires filing notice on EMMA;
2. Establish an internal process by which the Issuer's official with primary responsibility for finance, the business manager, any similar official of the school and electric departments, if any, and the head of any other department of the Issuer with authority to enter into a financial obligation or agreement of the kind described in event number 15 of the Rule, shall provide to the finance team with all relevant documentation relating to any proposed financial obligation or agreement described in event number 15 of the Rule sufficiently in advance of the execution thereof;
3. Designate a relevant member or members of the Issuer's finance team to be included in the review and approval process for financial obligations and agreements described in event number 15 of the Rule; and

(DISCLOSURE POLICY CONTINUED)

4. Upon review of the financial obligations and agreements described in event number 15 of the Rule, the relevant finance team member will determine in consultation with other relevant officials of the Issuer, including the Issuer's municipal advisor, bond counsel, disclosure counsel and general counsel, as appropriate, whether such obligations or agreements are material. If any such financial obligations or agreements are determined to be material, the Issuer will arrange for a timely filing of notice on EMMA regarding the incurrence of such financial obligations or agreements.

B. Ensure Accuracy of Official Statements regarding Compliance

The Compliance Officer will be responsible for ensuring the accuracy of the Issuer's official statements regarding the Issuer's compliance with its disclosure agreements. In furtherance of this responsibility, the Compliance Officer will take the following steps before approving any official statement:

1. Review both (i) the timeliness and (ii) the sufficiency of the Issuer's Annual Report filings for the five-year period preceding the official statement, noting any instances of late or incomplete filings;
2. Review the list of events specified in the Issuer's disclosure agreements to determine, in consultation with relevant officials of the Issuer, whether any event has occurred during the five-year period preceding the official statement and, if any such event has occurred, confirm that notices of such event or events have been timely filed on EMMA;
3. Consult with the Issuer's finance team, filing agent, municipal advisor, bond counsel, disclosure counsel and general counsel, as appropriate, with respect to any question regarding the Issuer's disclosure compliance;
4. If needed, file corrective or missing disclosure and/or notices on EMMA; and
5. Collaborate with the Issuer's bond counsel or disclosure counsel, as appropriate, to draft a statement regarding the Issuer's disclosure compliance in the five-year period preceding the official statement that reflects any instances of material noncompliance by the Issuer during such period.

Conclusion

The Issuer and the Compliance Officer understand and acknowledge that these procedures create ongoing responsibilities related to (A) ensuring the timeliness and sufficiency of the Issuer's disclosure filings and (B) ensuring the accuracy of the Issuer's official statements regarding compliance with the disclosure agreements. The Issuer will periodically consult with bond counsel or disclosure counsel, as appropriate, to ensure these procedures are effective in producing disclosure that is timely, complete and not misleading.

CASH RECEIPT POLICY

EFFECTIVE DATES

Implementation Date 07/01/2015

Last Revision Date 05/31/2023

I. BACKGROUND AND PURPOSE

The establishment of sound financial controls and practices to assure all cash receipts are deposited on a timely basis, are recorded on a timely basis, and to assure that cash is reconciled on a timely basis is essential to the City's payment and collection systems.

II. POLICY STATEMENTS

General Receipts

POLICY: It is the city's policy that the treasurer/collector's office is responsible for the entry of cash receipts to the MUNIS system. The lone exception to this policy is the City Clerk's office. The City Clerk staff enters a daily batch to MUNIS. The Treasurer reserves the right to expand this program if he is satisfied that appropriate cash controls are in place. The treasurer/collector's office is responsible for all bank deposits with the exception of school lunch receipts, school athletic receipts and parking garage receipts. In all other instances the city and school departments must turn over receipts to the treasurer's office not less than once a week. At a minimum, revenue shall be turned over immediately to the treasurer's office when the department has collected \$250 in cash or \$500 in checks.

It is each department's responsibility to establish internal procedures to safeguard the collection and remittance of receipts until turned over to the treasurer.

As required by the Government Accounting Standards Board (GASB), the Auditor will conduct on-going surveys to identify, analyze, and manage the risk of asset misappropriation and fraud within each Department. This assessment is done to strengthen our internal controls and to flush out any weaknesses in our systems.

PROCEDURES:

- Departments will issue customers receipts that are pre-numbered and clearly identify the form of payment (cash, check, money order, etc.).
- Departments that collect receipts will complete a Form AD-9/10 or other form supplied by the Treasurer entitled Schedule of Departmental Payments to the Treasurer - Attachment VII.11 to report respective receipts by appropriate General Ledger revenue account. The Departments will completely describe the types of payments on the turn-in sheet.
- Departmental staff shall deliver the form with the cash and checks to the treasurer/collector's office.
- The treasurer/collector's clerk signs the Form AD-9/10 as a verification that the total amount indicated on the form reconciles with the total cash and checks presented and make copies of any check over \$25,000 to be attached to the internal sheet.
- The department retains one copy of the Form AD-9/10 as signed by the treasurer/collector's clerk, and another copy will be turned into the Auditors with the daily reconciled work.
- The treasurer/collector's clerk enters all receipts reported on the schedule as miscellaneous receipts in the Accounts Receivable module of MUNIS by the respective code.
- Departmental cash receipts (as well as all committed receipts) are reported on a *Cash Sheet* and tape that balances to all "departmental turnovers" and other committed receipts for the day. When all cash, checks and the tape reconcile, the deposit slip is then prepared and all documentation is turned over to the accountant for recording in the *Cashbook* and deposit at the bank.
- All cash receipts activity for a specific date will be entered to a MUNIS batch the day after receipt. The MUNIS *Payments Proof* must reconcile to the Cash Sheet and tape submitted to the assistant treasurer/collector on the prior day.
- Each city and school department that receives cash receipts should review the MUNIS *Revenue Year to Date Report* for their department each month to verify that all cash receipts that were turned over to the treasurer/collector are recorded accurately to the respective General Ledger account. Any discrepancies shall be reported to the auditor.

School Lunch and School Athletic Receipts

POLICY: The city policy is that school officials responsible for these programs have authority to make deposits at the bank. The deposits shall be made on the same date that the cash/checks are collected.

PROCEDURES:

- As documentation of the deposit the school department should provide one copy of the deposit slip to the treasurer/collector, submit one copy of the *Schedule of Departmental Payments to the Treasurer* indicating the General Ledger revenue account(s) and submit a copy of the cash register receipt from the school site as record of the "sales activity."
- The treasurer/collector's office will provide a copy of the school's *Schedules of Departmental Payments* to the auditor as to allow the auditor to verify that all school receipts are properly posted to the General Ledger.

Parking Garage Receipts

POLICY: The city policy is that garage personnel have authority to make deposits at the bank. Deposits are made daily. Credit card payments are also accepted by the garages.

PROCEDURES:

- Garage receipts are deposited daily and *Schedules of Departmental Payments* to the Treasurer are submitted weekly. Garage personnel will include one copy of each deposit slip along with printouts of bank activity to support charge card activity.
- The treasurer/collector's office will provide a copy of the Parking's *Schedule of Departmental Payments* to the auditor as to allow the auditor to verify that all Parking receipts are properly posted to the General Ledger.

RECONCILIATION OF CASH

POLICY: It is the policy of the City that the treasurer/collector and the auditor shall reconcile cash as recorded in the *Treasurer's Cashbook* and as recorded on the General Ledger within 15 days of the close of the prior month. The treasurer and collector maintain a *Reconciliation of Cash Notebook* documenting the reconciliation for each period. Each official is responsible to sign the *Summary Cash Reconciliation*.

PROCEDURES:

- The treasurer/collector or designee reconciles the Treasurer's Cashbook to the bank statements. This is completed within five days of receipt of the bank statements.
- The treasurer/collector identifies all reconciling items between the cashbook and the bank statements. These items will include: deposits in transits, outstanding checks and other items that represent timing differences between the bank and the cashbook.
- The treasurer/collector will correct the cashbook for the reconciling items that are not the result of timing differences (that would clear the next month).
- The treasurer/collector will then meet with the Auditor to review all potential adjustments to be made to the cashbook and/or the General Ledger based on the reconciliation to the bank statements and based on supporting documentation.
- The treasurer/collector will maintain the cashbook on a daily basis for warrants issued, deposits, transfers between accounts and investment income.
- After the month's activity in the cashbook is reconciled to the bank statements, the treasurer/ collector or designee produces the month-end *MUNIS Account Trial Balance for Treasurer's Cash* and the *MUNIS Account Detail History for Treasurer's Cash*.
- The treasurer/collector produces a spreadsheet based on:
Cash Receipts, Cash Disbursements, Petty Cash, Tailings and Reconciliation of Cash

(CASH RECEIPT POLICY CONTINUED)

1. Receipts reconciliation documenting:
 - The receipts per the cashbook and
 - Receipts per MUNIS General Ledger
2. Disbursements Reconciliation documenting:
 - The disbursements per the cashbook and
 - The disbursements per MUNIS General Ledger.

These reconciliations are evidence that the cashbook ending balance agrees to the cash on the General Ledger. If there are variances the treasurer/collector and auditor research and document any adjustments.

- A final *Cash Reconciliation Summary Statement* is produced and signed by both the treasurer/ collector and by the auditor that states the cash balances per the General Ledger and per the cashbook, and documents any adjustments to either the cashbook or to the General Ledger.

Flow of Information

Collector's receipts process

The primary receipts into the Collector's office are for Taxes (property, vehicle excise, etc.), other fees (called "Local Receipts"), and user charges (water/sewer). Cash/checks are collected by the Treasurer/Collector's office (and to a lesser extent by various departmental staff) over the counter, via lockbox, through the mail and wired directly from mortgage companies and banks (on behalf of taxpayers).

Principal clerks along with head clerks (occasionally the Treasurer/Collector and Assistant Treasurer/Collector) are involved in the collections over-the-counter. Cash drawers are used in the Treasurer's office to make change each day for over-the-counter receipts. All over-the-counter receipts are processed through MUNIS and are assigned sequentially numbered transaction numbers. A portion of the remittance advice or tax bill serves as the receipt for the collector receipts; these receipts are reconciled to cash registers daily. The remittance advice or tax bill is kept in the cash drawer as a component of the balancing process. At the end of the day, the Accountant ties out the batch of remittance advices to the checks/cash receipts at the end of each day and places all of the checks and support in the vault for safe keeping.

Processing of batches is done each morning (for the previous day's receipts) and the Assistant Auditor posts the counter receipts to the MUNIS subsidiary accounts receivable ledger. The MUNIS *Payment Proof* report is then reconciled to the actual deposit batch by the Accountant. Once these amounts agree, the Accountant prepares a daily batch deposit and places the checks in the safe until they are deposited at the bank.

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(CASH RECEIPT POLICY CONTINUED)

In addition to over-the-counter receipts, the City also has a bank Lockbox which accepts payments for property and excise taxes, local receipts, and user charges. The payments come through the U.S. mail to the lockbox and the City's account is credited the same day for the payment. The Treasurer or the Accountant access the bank account online and download the daily activity report to post into the receivable subsidiary ledger. A copy of this report and the MUNIS G/L Lockbox Batch Report is printed to support the transactions recorded to the G/L. The City also provides an online payment option. Receipts from this activity are deposited into a City account and processed in the same manner as the lockbox receipts. This information is maintained in the Treasurer's office.

Once receipts are posted to MUNIS, the Assistant Auditor reviews the supporting documentation and accepts/posts the receipts to the general ledger.

Departmental Receipts (Turnovers)

Most departments use a standard form AD-9/10 to submit their receipts to the Treasurer's Office. In cases where a department does not use the standard form, they will use their own format listing the department, type of receipt, the account code and the amount. The Accountant collects the turnover forms, ties the total schedules submitted to the cash/checks then reviews the schedules for accuracy and will question any incorrect accounting code. The Accountant posts these into MUNIS and to the cash book, and prepares the deposit slips. The Treasurer's office makes deposits regularly and posts the receipts into MUNIS. We also have an armored car service that picks up the receipts on a daily basis and takes them to the bank.

City departments are submitting both copies of the AD-9/10 to the Treasurer/Collector with their checks for deposit; the T/C then forwards the second copy to the Auditor once the deposit is made and the batch is balanced for the day.

Cash Reconciliations

The City Treasurer maintains a QuickBooks Cash Book; the Assistant Treasurer is responsible for maintaining the cashbook. The Assistant City Treasurer makes copies of all of the bank statements and goes through each account to reconcile once the statements are received. The cashbook is reconciled to the bank statements monthly. The A/T receives the bank statements, unopened, and will make her own copies to use and maintain in the files with the completed reconciliations. Outstanding checks are examined for those that are outstanding for a considerable amount of time, however, it was noted by the Treasurer that there are many outstanding checks that are in tailings (and/or need to be in tailings). The Treasurer reviews the Cash Statement (printed out of QuickBooks) and compares this statement to the Bank Statements once they have all been reconciled.

(CASH RECEIPT POLICY CONTINUED)

The Treasurer is responsible for reconciling the cashbook to the G/L. Reconciling items between the cashbook & G/L are first handled when the Treasurer and Assistant Treasurer go through the details of an account and try to resolve any discrepancies in the department first. If they are unable to reconcile any variances, they will consult with the Assistant Auditor to verify the information independently and complete the reconciliation. Significant journal entries are typically not needed to reconcile cash; but adjustments are made when necessary.

A final Cash Reconciliation Summary Statement is required to be produced and signed by both the treasurer/ collector and by the auditor that states the cash balances per the General Ledger and per the cashbook, and documents any adjustments to either the cashbook or to the General Ledger.

III. REFERENCES

- M.G.L. c. 41 §§ 35, 41, and 57

PURCHASING PRACTICES, PROCEDURES, AND POLICIES

The Office of the City Treasurer and Collector is responsible for a variety of key financial tasks, all of which require clear procedures and policies including the following:

- Coordination of the disposal of surplus property and supplies;
- Ensuring that all purchases are open, fair, competitive, obtained at the lowest possible cost and obtained in the best interest of the City;
- Implementing and administering the purchasing policies and practices of the City;
- Maintaining procurement records in accordance with M.G.L. c30B.
- Providing procurement support to City departments, divisions, bureaus, and boards; and
- Verifying that purchases of goods and services are made in accordance with applicable Commonwealth law and City ordinances.

(This page intentionally blank)

RESERVE SYSTEM ORDINANCE

EFFECTIVE DATES

Implementation Date 12/23/2008

Last Revision Date 12/23/2008

I. BACKGROUND AND PURPOSE

Municipal finance law requires that a city must have a prior appropriation before entering into a contract. These same laws prohibit a department of a city from incurring a liability in excess of an appropriation made for the department. Purchase orders or contracts are mechanisms used by the City to ensure that funding is available for a particular good or service. This system of checks/balances is referred to as the City's "Reserve System", and is codified in the City of Lowell's Code or Ordinances as §§ 28-32.

II. POLICY STATEMENT, FROM THE CITY CODE OF ORDINANCES (INCLUDED FOR REFERENCE PURPOSES ONLY)

It shall be the duty of the City Auditor to set up a reserve system in the books of the Auditor's Department, and he shall set up encumbered balances, as follows:

A. Immediately upon the passage of this article a certified list of all permanent employees shall be furnished the City Auditor by the executive and administrative heads of the several departments. Such list shall contain whatever information may be deemed essential for the proper maintenance of the Auditor's records. The Auditor shall, at least once a year, prove his records by a checkup with the various departments.

B. A standard form of payroll shall be made up by the City Auditor, subject to the approval of the chief executive officer of the City. The City Auditor shall have these payrolls printed from time to time in such quantities as he may deem advisable and shall furnish the same to the several departments, charging them to the various departmental appropriations (in the usual manner) at cost.

C. Nothing in Subsection **B** pertaining to the use of a standard form of payroll shall prohibit the City Auditor, with the approval of the chief executive officer of the City, from using, in lieu of the standard form of payroll, a system and format of data processing or computerized automation for the preparation and maintenance of payrolls and payroll records for such departments of the City as the Auditor shall determine.

(RESERVE SYSTEM CONTINUED)

D. For expenditures of any and all kinds which may be contemplated by the executive and administrative heads of the several departments to be paid for out of the appropriations or receipts allotted to the several departments of the City, no obligation shall be incurred against appropriations until the City Auditor verifies the availability of an appropriation for such expenditures.

E. No contract for construction work or for the purchase of apparatus, supplies or materials, whether for repairs or original construction, shall be deemed to have been made or awarded unless and until the City Auditor has certified in writing that there is a sufficient balance in the appropriations or receipts with which to pay the amount required by the terms of the contract. Upon the execution of the contract the City Auditor shall be notified, then the City Auditor shall set aside in reserve an amount from the appropriations or receipts sufficient to meet the obligation incurred by the contract.

F. A standard form of purchase order shall be made up by the City Auditor, subject to the approval of the chief executive officer of the City. The City Auditor shall have these purchase orders printed from time to time in such quantities as he may deem advisable and shall furnish the same to the several departments, charging them to the various departmental appropriations (in the usual manner) at cost.

G. Any outstanding contracts or obligations that have been previously entered into by the executive or administrative heads of any and all departments, on which full payment has not been made, shall, upon the passage of this article, be immediately submitted to the City Auditor for his approval, in order that a reserve may be set aside from the appropriation or receipts of the department to take care of the amount required by the contract, in accordance with the provisions contained in this article.

III. REFERENCES

- [City of Lowell Code of Ordinances §§ 28-32](#)

CREDIT CARD POLICY

EFFECTIVE DATES

Implementation Date 01/15/2021

Last Revision Date 5/31/23

I. BACKGROUND AND PURPOSE

To establish the policy and procedures for the use of city credit cards by department heads or their designee. These procedures are intended to accomplish the following:

- To ensure that procurement with credit cards is accomplished pursuant to the policy and procedures established by the administration
- To enhance productivity, significantly reduce paperwork, improve internal controls and reduce the overall cost associated with approved purchases as listed below
- To ensure appropriate internal controls are established within each department procuring with credit cards so that they are used for authorized purposes only
- To ensure that the city bears no legal liability from inappropriate use of credit cards

II. SCOPE

The City Administration will make all decisions regarding the issuance of individual cards and establishment of any and all additional controls for their use. The limit on each card shall be \$15,000.

III. POLICY STATEMENT, FROM THE CITY CODE OF ORDINANCES (INCLUDED FOR REFERENCE PURPOSES ONLY)

A) The city credit card is only to be used in the following situations:

- Emergencies that are of a public safety nature
- Only if a purchase order cannot be issued or cannot be paid through normal accounts payable warrant process
- Charges for supplies and equipment shall not exceed \$500 per transaction without approval from the City Manager
- Conference / Training registration
- Out of state travel approved by the City Council
- Other items specifically authorized by the City Manager

(CREDIT CARD POLICY CONTINUED)

- B) The credit card will not be used for personal purchases of any kind. Use of credit cards for personal purchases or expenses with the intention of reimbursing the city is prohibited and will result in disciplinary action.
- C) Splitting of charges to avoid the \$500 transaction limit (without approval of the administrators) set for the credit card is prohibited.
- D) Department heads are required to authorize payment of the charge on their receipt. This includes charges made by any designated individual.
- E) No cash advances (ATM, traveler's checks, money orders, etc.) are allowed using the credit card.
- F) The credit cards are not to be used to pay invoices or statements of any kind.
- G) All purchases made with the credit cards shall be paid from within the grace periods so that no interest charges or penalties will accrue.
- H) Any incentive program benefits derived by the use of the city credit cards will be the property of the city. The City Administration will determine the use of such incentive program benefits.
- I) All credit card users shall take all measures necessary to ensure the security of the credit card and the card number.
- J) Lack of proper documentation or authorization will result in loss of credit card privileges and/or personal liability.
- K) Misuse of a city credit card by an employee may result in loss of the credit card and/or disciplinary action against the employee, up to and including termination of employment.
- L) When using the credit card, city employees must insure that the goods or services to be purchased are budgeted and allowable expenses. All unauthorized expenses will not be paid by the City of Lowell. The city reserves the right to collect payment for unauthorized expenditures from the employee.
- M) The employee is responsible for managing any returns or exchanges and ensuring that proper credit is received for returned merchandise. The card holder will review the next statement to ensure that the return was properly credited.
- N) Random audits may be conducted for credit card activity and receipt retention as well as other internal accounting controls.
- O) It is the responsibility of the employee to immediately notify the administrators of any lost or stolen credit card.
- P) The City of Lowell is a municipal government exempt from sales tax. Sales tax shall not be included with the cost of any purchase. Please be sure to have a copy of the city's tax exemption certificate with you when making a purchase. Sales tax costs cannot be paid with city funds. The individual making the purchase may be personally responsible for payment of sales tax.

IV. PROCEDURE

- A) Employees who need to use the credit card account must ask first for permission from card administrators.
- B) Employees must sign out the credit card for use and maintain physical possession of the card at all times. All users must follow secure practices for online credit card use as determined by the Chief Information Officer.
- C) The City of Lowell will be billed monthly on one statement, which will go to the Deputy Chief Financial Officer. Itemized receipts must be obtained by the cardholder and turned in to the Deputy CFO (either via email scanned PDF or a hard copy) within one week of purchase date. It is incumbent upon each department head to submit invoices to the Deputy CFO promptly as to avoid interest fee and late charges. If receipts are submitted late causing finance charges, the responsible party may have the credit card use revoked.
- D) The Deputy CFO shall verify that goods and/services purchased with the credit card have been received by the City prior to authorizing payment.
- E) The credit card will be reconciled monthly by the Deputy CFO for unauthorized charges and other discrepancies.
- F) The use of the credit card is a privilege but also requires greater vigilance and responsibility. Employees must follow all existing procedures set forth by the City Manager's Office and the City Auditor's Office for their purchases or face disciplinary measures including dismissal, repayment of unauthorized expenditures and criminal charges.
- G) Each authorized cardholder must sign an Agreement to Accept City Credit Card prior to issuance of the credit card. Forms will be kept on file in the Budget Department.
- H) When using the city credit card, the authorized cardholder shall:
 - Determine if the intended purchase is within the cardholder's credit card limits
 - Inform the merchant that the purchase is tax exempt. The tax exempt number is 046-001-396. Review the receipt before leaving the store and request a credit if taxes were charged in error (See Appendix A)
 - Obtain an itemized receipt for all purchases
- I) It is the cardholder's responsibility to retain the receipts and other documentation.
- J) Upon separation of employment, cardholders shall surrender their city credit card to the City Manager's Office on or before their last day of work and prior to issuance of final compensation to the cardholder.

V. AUDITS

Random audits will be conducted for both credit card activity and receipt retention as well as statement review by the Finance Department. The detailed activity is also reviewed annually by the city's independent auditing firm.

VI. AUTHORITY

These policies are adopted by the City Manager in accordance with MGL c.4, sec 7, cl. Fifth B as it relates to management of City's prudential affairs and authority over expenditures.

III. REFERENCES

- M.G.L. c. 4 § 7.
- City of Lowell Credit Card Purchase Request document (available at Purchasing Office)

PROCUREMENT OF GOODS AND SERVICES

EFFECTIVE DATES

Implementation Date 07/01/2015

Last Revision Date 05/31/2023

I. BACKGROUND AND PURPOSE

All purchasing activities are subject to any existing or future valid legislative act, municipal ordinance, decree, order or regulation of any public body, commission or authority having jurisdiction over the City of Lowell, and order of decree by a court of competent jurisdiction to which the City of Lowell or any predecessor or successor in title may be a party

II. SCOPE

All purchasing activities are subject to any existing or future valid legislative act, municipal ordinance, decree, order or regulation of any public body, commission or authority having jurisdiction over the City of Lowell, and order of decree by a court of competent jurisdiction to which the City of Lowell or any predecessor or successor in title may be a party.

III. PROCUREMENT

1. PROCUREMENT PROCEDURES

The using department must enter a requisition into the MUNIS system

- a. The using department must obtain a price quote from vendor or from a published catalog or provide an independent cost estimate and;
- b. Provide a specification that includes an accurate description of the material, equipment, or service to be purchased. A good description of the supplies or services intended for purchase is essential to a successful procurement. A purchase description typically includes detailed specification of supplies, including any drawings, a detailed scope of services, or both. It also includes estimated quantities, a schedule for performance, and the delivery terms and;
- c. Each item to be purchased must be entered one line item at a time on the requisition, or enter “per attached quote” which is scanned and attached to the on-line requisition
 - i. Considerations:
 1. Begin requisition process in a timely fashion, factor in the time needed to both procure the goods and services and the delivery lead time and;

(PROCUREMENT POLICY CONTINUED)

- 2. Avoid proprietary specifications whenever possible. Proprietary specifications cite specific name brands or have the effect of restricting the procurement to one source. Proprietary specifications are acceptable only when “no other manner of description suffices” and written justification for this decision must be provided and;
 - d. Forward to Purchasing any list of prospective vendors and;
 - e. Any other pertinent information.

In the event Federal Funds are used, the using department must first Click <https://www.sam.gov/SAM/> to determine if the individual and/or companies have been debarred or suspended from receiving federal funds. The using department must also attach to the requisition that this step was taken before approving the requisition, Purchasing will also verify.

2. PURCHASING DOLLAR THRESHOLDS

Under \$10,000	Most reasonable source using sound business practice Requisition and Purchase order required Invoice & voucher signed by department & forwarded to auditing for processing <i>Once the all orders (for each department) for a company exceed \$10,000 then three (3) quotes are required, before the PO is created.</i>
\$10,000 - \$49,999	Minimum of three (3) telephone or fax quotes Requisition, Purchase Order and written contract required Invoice, Purchase Order & Voucher signed by department & forwarded to auditing for processing <i>See below regarding Goods or Services Procurements</i>
\$10,000	Sealed bids for Chapter30.39m procurements, for Chapter 149 procurements post notice for two (2) weeks
\$50,000 - \$100,000	Sealed bid, publicly advertised and post notice for two (2) weeks. Requisition, Purchase order and written contract required. Invoice, Purchase Order & Voucher signed by department & forwarded to auditing for processing
Over \$100,000	Sealed bid, publicly advertised and post notice for two (2) weeks. Also advertised in the state “Goods and Services” bulletin Requisition, Purchase order and written contract required. Invoice, Purchase Order & Voucher signed by department & forwarded to auditing for processing

(PROCUREMENT POLICY CONTINUED)

SERVICE PROCUREMENTS

Departments are able to solicit themselves, including the advertising and contractual requirements, as per the delegation from the Chief Procurement Officer on file with the Massachusetts Inspector General

GOOD PROCUREMENTS

Up until \$9,999 Departments obtain quote, creates requisition and Purchasing places purchase order.

\$10,000 to \$49,999 Departments obtain quote, creates requisition (forward to Purchasing suggesting other vendors), Purchasing solicits a minimum of two other quotes (will use vendor database & vendors suggested by end users), coordinate contracts and create purchase order.

\$50,000 and above Departments obtain quote, creates requisition (forward to Purchasing suggested other vendors and all technical specifications), Purchasing places advertisements on City web page, Local newspaper and either in Goods and Services Bulletin or Central Register and posts on Purchasing Bulletin Board will mail bids to vendors, coordinate contracts and create purchase order.

3. PURCHASING SIGNATURE AUTHORIZATION

Under \$5,000 Purchase Orders are signed by Chief Procurement Officer

Over \$5,000 Contracts (when needed) are signed by the Vendor, City Auditor, City Solicitor (to form), Chief Procurement Officer and/or Department Head and the City Manager.

4. PROCUREMENT DESCRIPTIONS

What are Supplies? “Supplies” are defined under the law as “all property other than real property, including equipment, materials, printing, and further including services incidental to the delivery, conveyance, and installation of such property.”

What are Services? “Services” are defined as “the furnishing of labor, time, or effort by a contractor, not involving the furnishing of a specific end product or other than reports.” It is important to note that if labor to be performed is applicable to prevailing wages, the wage rate schedule must be must be requested and received from the Commonwealth of Massachusetts Division of Occupational Safety (see form on next page) “prior” to soliciting quotes or bids regardless of anticipated cost. The prevailing wage rates must be attached to quote request and also to all requisitions that are later mailed with purchase orders to contractors unless they have been previously included in a contract.

(PROCUREMENT POLICY CONTINUED)

“Procurement of Services” In compliance with the Inspector General’s Office Rules and Regulations, the “Procurement of Services” form (see form included within this section) must be attached to the service order requisition to attest that Chapter 30B requirements are being observed.

Delegation of Services A Department Head must request a delegation approval from the Chief Procurement Officer/Purchasing Agent in order to carry out services under Chapter 30B. A delegation request form is completed by the Chief Procurement Officer and forwarded to the Office of the Inspector General. Approval is in effect upon receipt by the Inspector General unless otherwise notified and shall remain in effect without termination. Delegations are approved at the department level, not by position; therefore, when there is a change in department head, re-approval is not required.

5. PROCUREMENT TYPES

Most Reasonable Source: Purchasing performs due diligence to ensure goods procured are at the lowest responsive price using sound business practices

Phone Quotes: Purchasing obtains quotes via phone from a minimum of three sources, records offers on bid tabulation and attaches to file copy of purchase order with requisition

Fax Quotes: Purchasing obtains quotes via fax from a minimum of three sources, records offers on bid tabulation and attaches to file copy of purchase order with requisition

Sealed Bid - Low Bid: Purchasing mails IFBs to bidder list and advertises as required. Public Opening. Awarded to the lowest responsive and responsible bidder.

Sealed Proposal - RFP: Purchasing mails RFPs to bidder list and advertises as required. No Public Opening. Awarded to bidder best meeting the evaluation criteria.

State Contract: When requesting an order using a MA State Contract, the following should accompany the requisition:

- Contract # and OSD Update #
- Copy of the Contract
- Quote from Vendor showing prices, scope of work, etc.
- Prevailing Wage Rates (if applicable)
(some state contracts specify that the city or town seek wage rates)

(PROCUREMENT POLICY CONTINUED)

Sole Source:

Sole-source procurements are made without advertising or competition. Chapter 30B places strict limitations on the award of sole-source procurements for supplies or services. **NO CONTRACT FOR \$ 10,000.00 OR MORE CAN BE AWARDED WITHOUT ADVERTISING AND COMPETITION**, except for the following items:

School textbooks, library books, and any instructional materials can be purchased without competition if, after reasonable investigation, it determined that there is **ONLY** once source such books or materials.

Water, sewer, gas, electricity, or telephone services can be procured from a public utility company without competition if there is **ONLY** one source for the services.

Sole Source contracts or procurements for **LESS THAN \$10,000.00** may be made without competition when a reasonable investigation shows that there is only one source for the required supply or service. Documentation fully explaining and describing the conditions that cause the Vendor to be the only source for said supply or service must be attached to the requisition and signed by the Department Head.

Emergency:

If time is not available to fully comply with Chapter 30B requirements due to an unforeseen emergency, procurement for a necessary service may be allowable. Definitions of an “emergency” are as follows:

- If designer selection procedures are followed, health or safety of persons will be endangered, or a deadline for action set by a court or federal agency cannot be met. M.G.L. c, 7, ~38J.
- Extreme emergency caused by enemy attack, sabotage, or other such hostile actions or resulting from explosion, fire, flood, earthquake, hurricane, tornado, or other such catastrophe. M.G.L. c. 30, ~39M(a).
- Extreme emergency involving the health and safety of people or property. M.G.L. c. 149, ~44J(6).

(PROCUREMENT POLICY CONTINUED)

Multi-year Contracts:

Chapter 30B permits local governments to enter into contracts for any period of time. Any contract in **excess** of three years, including any renewal, extension, or option provision, however, must be authorized by a majority vote of the City Council **prior to the solicitation for bids or proposals.**

No contract can be entered into until the funds for the first fiscal year are available. The payment and performance obligations for each succeeding year of a multiple-year contract shall be subject to the sufficient appropriation or other availability of funds. (e.g., State or Federal Grants). [G.L. c.30B, ~12 (a)]

Disposal of Surplus:

Disposal of all tangible surplus supplies including motor vehicles, machinery, computer equipment, furniture, and other materials or supplies shall be arranged by the Purchasing Agent. The term “supplies” does not include real property.

A list of all items to be advertised “FOR SALE” must be submitted to the Purchasing Agent. The sale of such supplies or equipment shall be handled by the Purchasing Agent acting with the proper official of the City familiar with and in charge of the supplies or equipment proposed to be sold.

Designer Selection:

The Chief Procurement Officer will select ad-hoc technical review committees to rank the designer proposals. When the designer review committee completes their evaluations and forwards to the CPO to begin the negotiations with the top-ranked finalist. If an agreement cannot be made the next finalist is considered.

6. PROCUREMENT MASSACHUSETTS GENERAL LAWS

a) M.G.L. Chapter 30B
Supplies & Services

Estimated Contract Value	Under \$10,000	\$10,000 - \$49,999	\$50,000 and Over
Procurement Procedure	Sound Business Practice	Solicit three oral or written quotes	Sealed Bids or Proposals (M.G.L. c30B ~5 or 6)
Advertised Required	No	No	Advertise once in a newspaper at least two weeks before due date, and post a notice on City website. If \$100,000 or more, advertise in the Goods and Services Bulletin.
Award Contract to:	Responsible person offering a competitive price	Responsible person offering the lowest price	Under ~5, the responsive and responsible bidder offering the lowest price. Under ~6 the most advantageous proposal from a responsive and responsible proposer taking into consideration price and evaluation criteria
Written Contract	No	Yes	Yes
Maximum Contract Term	Three Years, unless majority vote authorizes	Three Years, unless majority vote authorizes	Three Years, unless majority vote authorizes

(PROCUREMENT POLICY CONTINUED)

b) M.G.L. Chapter 149
Building Construction Contracts

Estimated Contract Value	Under \$10,000	\$10,000 to \$50,000	\$50,000 to \$150,000	Over \$150,000	Over \$10,000,00
Procurement Procedure	Sound business practices	Solicit written price quotes	Sealed Bids (using M.G.L. c30, ~39m procedure)	Sealed Bids	Solicit statements of qualifications
Advertising Requirements	No	Advertise once in the Central Register and post on Purchasing bulletin board two weeks before opening. Using City web site and Comm-Pass optional	Advertise once in the Central Register, Comm Buys and newspaper at least two weeks before due date and post on Purchasing bulletin board or website	Advertise once in the Central Register, Comm Buys and newspaper at least two weeks before due date and post on Purchasing bulletin board or website	Advertise once in the Central Register, Comm Buys and newspaper and Comm-Pass at least two weeks before bid due date
DCAM Certification	No	No	No	Required for general bidders and filed sub-bidders	Required for general bidders and filed sub-bidders
OSHA Training	No	Yes	Yes	Yes	Yes
City Prequalification	No	No	No	Optional* if use prequalification process	Yes
Filed Sub-bids	No	No	No	Yes (\$25,000 and over)	Yes (\$25,000 and over)
Bid Deposit	No	No	5% of the value of the total bid	5% of the value of the total bid, or sub-bid	5% of the value of the total bid, or sub-bid
Payment Bond	50% payment bond, if project is \$2,000 or above	50% payment bond	50% payment bond	100% payment bond	100% payment bond
Performance Bond	No	No	No	100% performance bond	100% performance bond
Prevailing Wage	Yes	Yes	Yes	Yes	Yes
Contractor Evaluation	No	No	No	Yes	Yes

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(PROCUREMENT POLICY CONTINUED)

c) M.G.L. Chapter 30, ~39M
PUBLIC WORKS (non-building) CONSTRUCTION

Estimated Contract Value	Under \$10,000	\$10,000 - \$50,000	Over \$50,000
Procurement Procedure	No	Sealed Bids	Sealed Bids
Advertising Requirements	No	Advertise once in the Central Register, Comm Buys and newspaper at least two weeks before due date and post for one week on Purchasing bulletin board or website	Advertise once in the Central Register, Comm Buys and newspaper at least two weeks before due date and post for one week on Purchasing bulletin board or website
DCAM Certification	No	No	No
OSHA Training	No	Yes	Yes
City Prequalification	No	No	No
Filed Sub-bids	No	No	No
Bid Deposit	No	5% of the value of the total bid	5% of the value of the total bid
Payment Bond	No	50% payment bond	50% payment bond
Performance Bond	No	No	No
Prevailing Wage	Yes	Yes	Yes

d) M.G.L. Chapter 30B, alternate per reference M.G.L. c30~39M (d)
PUBLIC WORKS (non-building) CONSTRUCTION

Estimated Contract Value	Over \$10,000 up to \$25,000
Procurement Procedure	Sealed Bids
Advertising Requirements	Advertise once in local newspaper at least two weeks before bids are due, and post a notice on Purchasing bulletin board for at least two weeks before bids are due. M.G.L. c9~20A requires an advertisement in the Central Register
DCAM Certification	No
OSHA Training	Yes
City Prequalification	No
Filed Sub-bids	No
Bid Deposit	No
Payment Bond	No
Performance Bond	No
Prevailing Wage	Yes

THE CITY'S FINANCIAL BASIS, POLICIES, AND PRACTICES

(PROCUREMENT POLICY CONTINUED)

e) M.G.L. Chapter 7, ~ ~ 38A ½ - O
PUBLIC BUILDING PROJECTS DESIGN SERVICES

Estimated Construction Cost Design Fee* should not exceed 10% of construction costs	\$100,000 or Less Or Designer fee less than \$10,000	Over \$100,000
Procurement Procedure	No, recommend soliciting qualifications and prices from at least three designers.	Qualifications-based selection process. Jurisdiction must either set the design fee or set a not-to-exceed fee limit and negotiate the fee with the top-ranked designer within the fee limit
Advertising Required	No	Advertise once in the Central Register, Comm Buys and the local newspaper at least two weeks before the deadline for filing applications
Designer Selection Board	No	No – adopt selection procedure, use DSB Application for Municipalities
Designer Evaluation (submit to DCAM and Designer Selection Board)	No	Yes
Registration	Yes	Yes
Insurance	No	10% of the total cost of the project or \$1 million, whichever is less
Prevailing Wage	No	No

7. SALE OF SURPLUS GOODS

Chapter 30B defines procedures to dispose of surplus supplies. Disposal of all tangible surplus supplies including motor vehicles, machinery, computer equipment, furniture, and other materials or supplies shall be arranged by the Purchasing Agent. The term “supplies” does not include real property.

A list of all items to be advertised “FOR SALE” must be submitted to the Purchasing Agent. The sale of such supplies or equipment shall be handled by the Purchasing Agent acting with the proper official of the City familiar with and in charge of the supplies or equipment proposed to be sold.

Less than \$5,000. All surplus supplies with an estimated net value of less than \$5,000 will posted on the City of Lowell web page for one (1) week, posted on the Purchasing bulletin board and per Lowell City Council vote:

1. The department head possessing the property to be disposed of shall circulate an inquiry amongst other City departments to determine any City need for said property;
2. The City shall obtain a certification of value of the property to be disposed of from a qualified appraiser or a dealer of like or similar property;
3. The City shall, through its Inspectional Services Department and/or Division of Planning and Development, offer through some public means the disposition of said property by sale, transfer (with or without consideration), swap or gift, depending on the nature and value of the property;
4. The City Council shall by vote authorize the ultimate disposition of the tangible property by sale, transfer (with or without consideration), swap or gift;
5. Notwithstanding these regulations for the disposition of tangible personal property of the City of Lowell, such property having either no market value or a value less than one hundred (\$100) dollars, may be disposed of by sale, transfer (with or without consideration), swap or gift by vote of a majority of the City Council without compliance with any of the listed disposition procedures (1 through 4 above);
6. As required by MGL c 30B ~15 tangible personal property having a value of five thousand (\$5,000) dollars or more shall be disposed of in accordance with said statutory requirements; and
7. Nothing in these regulations shall prevent other means of disposing of personal tangible City of Lowell property as otherwise authorized by law.

(PROCUREMENT POLICY CONTINUED)

More than \$5,000. All surplus supplies with an estimated net value of more than \$5,000 will posted on the City of Lowell web page for two (2) weeks, advertised in a local newspaper two (2) weeks prior to the bid opening & posted on Purchasing bulletin board.

More than \$100,000. All surplus supplies with an estimated net value of more than \$100,000 will posted on the City of Lowell web page for two (2) weeks, advertised in a local newspaper two (2) weeks prior to the bid opening, posted on Purchasing bulletin board and are also published in the Goods and Services Bulletin.

Sale by Bid or Auction. The notice must include the following information:

- Complete description of surplus supplies offered
- When, where and how surplus supplies can be inspected by the public prior to opening
- All terms and conditions of sale
- Place and deadline for submitting bids
- Statement that City reserves the right to reject any and all bids
- Non-collusion form included in bid package
- Public bid opening

You can sell or swap surplus supplies within the City of Lowell or with other local, state, federal governments or with the Commonwealth. These transactions are not subject to 30B regulations as they are intra/intergovernmental agreements.

Charitable Donations. The City can dispose of surplus supplies at less than fair market value to any organization that has an IRS tax exempt status. Any such donation must be approved in advance by a majority vote of the City Council.

Trade-Ins. Surplus Supplies can be traded in as part of a Chapter 30B bid or proposal process. Quotes can only be used in the value of the trade in is below \$5,000.

IV. PROCUREMENT PROCESS

1. OVERVIEW

The using department has a need for a good or service. The using department must allow enough time to award a new contract and follow these steps:

- a. Prior to Requisition
 - a. Create a specification
 - b. Get a price quote
 - c. Determine that you have adequate funding in place
- b. Requisition
 - a. Enter information into MUNIS system
 - b. Get requisition approved in MUNIS
 - c. Attach specification, price quote and suggested bidder list to online requisition, or forward hard copies to Purchasing
- c. Bidding Cycle
 - a. Depending on dollar value of requisition, quotes or bids are solicited
 - b. Some bids will require either pre-bid conferences and /or site inspections, while Purchasing will conduct these meetings, the using department is required to attend/assist.
 - c. Bids are received. Most bids (IFBs) are awarded to the lowest responsive and responsible bidder who meets specification; there are some bids (RFPs) that are not publicly opened as they are awarded to the bidder who offers the City the best value.
- d. Technical Review
 - a. For those goods and services procurements that require a technical review, the using department is responsible that the bidders offer is in strict accordance with the specification. A transmittal form is used for signoff.
- e. Purchase Order
 - a. Purchasing issues purchase order to the recommended vendor. All bids and service (needing labor) procurements require a written contract. A fully executed contract is required before a purchase order can be created. No goods or services can be rendered before a purchase order is issued.

2. REQUISITION IN DETAIL

[detailed entry procedures are available to all requisition users upon request, but are omitted from this document]

3. REQUISITION APPROVAL PROCESS

- a. Using Department Clerk enters requisition in MUNIS
- b. Department Head approves requisition in MUNIS
- c. City Auditor approves requisition in MUNIS
- d. Deputy Chief Financial Officer approves requisitions above \$1,000 in MUNIS
- e. Purchasing approves requisition (to create purchase order) in MUNIS

Upon Purchasing (last) approval, requisition will print in purchasing office for further distribution.

4. RECEIVING/INVOICE INSTRUCTIONS

Invoices will be sent directly to the ordering departments.

All invoices will be submitted for payment on the new Accounts Payable form.

Department Heads will sign the face of each invoice for authorization for payment (original signatures only).

Clerks will fill out the new AP form and this will serve as your warrant and have Department Head sign the bottom of each form (again original signatures only).

This form will be the header for each pack of invoices to be paid. Fill out the form in its entirety and make sure you denote full or partial liquidation of invoice. Up to 25 invoices can be submitted with one AP form. You will attach the following to each pack of invoices.

Staple together:

- 1) invoice with department ok on face
- 2) copy of purchase order for each invoice
- 3) receiving copy if received

Paper clip each pack of invoices to the appropriate AP form.

NOTE:

You must use the new AP form supplied by Auditing to process payments. There are two different AP forms: one for Purchase Order and one for Vouchers (for payments of invoices without purchase orders).

5. FURTHER PROCUREMENT INFORMATION

The Purchasing Department shall mail or email the vendor a copy of the purchase order. Departments can view their Purchase Orders online.

V. REFERENCES

- REQUEST FOR QUOTES document (available at Purchasing Office)
- DEPARTMENT REVIEW of bids document (available at Purchasing Office)
- APPEAL/PROTEST PROCEDURES (available at Purchasing Office)
- RECORD OF PERFORMANCE FORM (available at Purchasing Office)
- [Massachusetts Inspector General's Municipal, County, District and Local Authority Procurement of Supplies, Services, and Real Property Manual](#)
- [Massachusetts State Contracts at the Comm-Pass homepage](#)
- [Massachusetts General Laws](#)
- [To submit a Goods & Services Bulletin advertisement](#)
- [To submit a Central Register advertisement](#)
- [To request Prevailing Wage Sheets](#)
- [City of Lowell Purchasing Department bids](#)

TECHNOLOGY PRACTICES, PROCEDURES, AND POLICIES

Since 1995, when the City of Lowell issued its first “Computer Usage Policy”, technology has grown more powerful and complex, been further integrated into much more of what we do, and the city has invested millions of dollars in its information systems and facilities. The power and complexity of the technology used to manage the city’s services, requires standards and guidelines be in place in order to ensure that the taxpayer’s technology investment is safe, secured, and available.

These policies are not intended to discourage anyone from using the city’s technology or data in performing their job – rather, they are intended to ensure that the city’s technology and data is used responsibly, and that it is adequately protected from events which may jeopardize city services, whether internal, external, deliberate, or accidental. These policies are updated often, in order to keep up with technology shifts and evolving threats as they arise.

While definitive policies cannot be readily formulated for every possible scenario which may arise, these policies are intended to ensure that: (1) safe, responsible, and secured computing conditions are maintained, (2) a consistent, effective, and efficient delivery of the appropriate levels of service and support are provided, and (3) the cost effectiveness of the technology for the taxpayer is maximized.

(This page intentionally blank)

TECHNOLOGY POLICY

EFFECTIVE DATES

Implementation Date 11/16/1995

Last Revision Date 05/31/2023

I. BACKGROUND AND PURPOSE

The City of Lowell's Technology Policies are intended to ensure that the City of Lowell's ("City") technology resources are available and utilized in an appropriate manner, in accordance with local, state, and federal laws, and the City's own various policies and procedures. The policies contained in this document are intended to work together comprehensively as a single City Technology Policy ("Policy"). The Policy is designed to (1) ensure safe, responsible, and secured computing conditions are maintained, (2) ensure a consistent, effective, and efficient delivery of the appropriate levels of service and support are provided, and (3) ensure that the cost effectiveness of the technology for the taxpayer is maximized.

II. SCOPE

This Policy applies to all users ("Users"). Users include, but are not limited to, all City and School employees, contractors, visitors, or any other personnel using, accessing, or otherwise interacting with the City's data, hardware, software, and other technology resources ("Resources"). Resources include, but are not limited to, all hardware and data (regardless of origination, destination, custody, funding source, or format), all media and the facilities containing them, all host or remote technology systems (e.g., workstations/PCs, mobile and handheld devices, telecommunication/radio devices, system software, application software, and data), and communications networks or systems which may be directly, indirectly, or remotely controlled, administered, accessed or otherwise interact with other City Resources.

All Users having previously completed a Computer Usage Policy Acknowledgement Form are required to continue observing and abiding by these updated Policies which replaces the Computer Usage Policy originally issued in 1995. Users of City Resources release the City of Lowell and its personnel from any and all claims and damages of any nature arising from a User's use of (or inability use) any City Resources.

This policy is subject to ad-hoc and periodic modification to coincide with changing business issues and external guidelines or regulations. Any changes to the policy will be made directly within this document, and only those modifications that are substantive in nature will require additional communication to the City. If any component of this Policy conflicts with any applicable collective bargaining agreement (CBA), the component shall be subject to the CBA, and the remaining non-conflicting features of this policy shall remain in effect.

III. PRIVACY STATEMENT

USERS OF CITY RESOURCES HAVE NO PRIVACY RIGHTS. NO EXPECTATION OF PRIVACY IS MADE, GIVEN, SUGGESTED, RESERVED, IMPLIED, OR OTHERWISE ASSOCIATED WITH THE USE OF CITY RESOURCES. Passwords do not imply privacy; Users may not expect any privacy in the use of City Resources.

IV. COMPLIANCE

Violations of this Policy may result in disciplinary actions as deemed applicable by City Management and/or the appropriate governing body. If violations of this Policy are discovered that consist of illegal activities, the City may notify the appropriate authorities. The City reserves the right to pursue appropriate legal actions to recover any financial losses suffered as a result of violations of this Policy.

V. REFERENCES/ CITATIONS

- [MA Cybersecurity Resources](#)
- [MA Password Best Practices and Recommendations](#)
- [Stop. Click. Think.](#) Federal Resources that promote the practice of safe computing for businesses and individuals.
- [A Guide to Massachusetts Public Records Law](#)
- [Municipal Records Retention Schedule](#)

VI. GENERAL USE POLICY

I. BACKGROUND AND PURPOSE

The City's Resources are owned, operated, administered, and managed by the City of Lowell, provided as a business tool to users in order to facilitate timely and efficient business use, and are to be used for business-purposes only. The appropriate use ("Appropriate Use") and protection of all City Resources is expected from all Users. Appropriate Use of these resources is defined as use which is City business-related; all other use is inappropriate.

II. POLICY

General Use of City Resources is subject to the following:

- All City Resources are the property of the City.
- The City's MIS Department is responsible for establishing the rules and guidelines for the use of these Resources.
- The City reserves the right without notice, to limit, restrict, monitor, block, access, search, review, modify, or disclose the use of any and all City Resources, including but not limited to, any City Resources or materials ("Materials") including, but not limited to, data, applications, Internet access or emails.
- The term "personal computer" does not suggest that Users have the choice of what general City Resources are made available, or of what applications are installed or configured on City Resources assigned to Users; applications may be installed, modified, or removed without notice.
- The City retains ownership of all City Resources and Materials stored, maintained, deleted, added to, modified, received, sent, or otherwise accessible via the City's Resources unless otherwise copyrighted, trademarked, or agreed to through the City's Law Department.
- Any Materials sent to or from City Resources must comply with federal and state laws regarding the protection of personally identifiable ("PID") information (e.g., DOB, SSN, Name and Address information), and applicable Record Retention Laws. PID data should always be encrypted.
- All Users are expected to appropriately guard against the loss, theft, or corruption of the City's Resources. Data files and materials should not be stored on local device storage areas (e.g., hard drives, flash memory, etc.); all data files and materials should be stored on network drives, or otherwise be appropriately backed up to prevent against disaster and assist with recovery.
- All City Resources are subject to discovery; even if a User believes they have deleted Materials, they may be retained on other City Resources. Users should NOT generally delete Materials unless they are clearly considered trivial or irrelevant (e.g., an email about coffee/pizza being served somewhere), as they may be subject to Records Retention Laws.

(GENERAL USE POLICY CONTINUED)

- City Resources and Materials must not be taken off-site by Users without written approval.
- Only City-issued email addresses are to be used for City-related business.
- Access to 3rd party email and/or messaging systems is generally not allowed and is subject to review and approval by the City Hall MIS Department.
- City Resources may be configured with remote management tools to assist with loading additional applications and software. Users shall not remove, disable, or otherwise modify any applications or software installed by the City Hall MIS Department. The City Hall MIS Department will only assist with the installation of additional applications or software deemed necessary and appropriate for City-related business use.

VII. COMPUTING ETHICS POLICY

I. BACKGROUND AND PURPOSE

With so many Users sharing City Resources, misuse by even a few Users has the potential to disrupt the City's business, interrupt the work of others, and create an unwelcome or unsafe environment. All Users are therefore required to exhibit and exercise responsible, prudent, and ethical behavior when using City Resources.

II. POLICY

Ethical Use of the City Resources needs to be consistent with, and subject to, the following:

- The use of City Resources and Materials should always be conducted in a truthful and accurate manner; Users should never misrepresent themselves in order to gain access to any City Resources or Materials, or in order to deceive anyone interacting with City Resources or Materials.
- Users should make every effort to keep their communications and correspondence professional and appropriately personable.
- Users must make every prudent and reasonable effort to protect against the theft, loss, or damage of City Resources and Materials.
- Users must only access City Resources and Materials as expressly authorized by City administration and management ("Management"), must not attempt to bypass or defeat any City Resources, security, or firewall restrictions, and must not disable, hinder, render inoperable, or otherwise tamper with City Resources or Materials.
- Users may not authorize anyone to use their City Resource accounts for any reason, are responsible for properly locking down access to systems when they are away from them, and are responsible for any Materials transmitted, accessed, or otherwise entered or modified from systems/accounts Users are logged into.
- Users must not use any City Resources recklessly, negligently, irresponsibly, carelessly, excessively, or in any way that might needlessly interfere with the work of others directly or indirectly, impact other City Resources, cause offense to others, or waste City Resources. This includes, but is not limited to:
 1. Using City Resources for any private, personal, unlawful, unethical, commercial, political campaigning, monetary gain, or legally questionable activity ;
 2. Accessing inappropriate sites including adult content, online gambling, and dating sites;
 3. Using encryption technology that has not been approved for use by the City's MIS Department;
 4. Using personally owned technology (or technology which is owned by another organization or business) for conducting City business, where official City records are created but not maintained by the City;
 5. Accessing sites that distribute security exploits (hacking sites), or using security exploit tools (hacking tools) to attempt to elevate user privileges or to otherwise obtain unauthorized resources.

(COMPUTING ETHICS POLICY CONTINUED)

6. Intentionally intercepting, accessing, altering, copying, distributing, moving or removing City Resources or Materials without Management permission;
 7. Accessing City Resources related to other Users, constituents, businesses, or anyone else, without a City-related business purpose requiring you to do so;
 8. Creating unnecessary network traffic, system processing load, congestion, disruption, disablement, alteration, impairment, or monopolizing of Resources.
 9. Establishing any remote control, remote access, or remote monitoring services without the written permission of the City MIS Department or for any non business-related purposes;
 10. Loading software or data from untrustworthy sources (e.g., freeware, or shareware), or without ensuring that all files are properly scanned for viruses or other malicious software code prior to introduction to City Resources;
 11. Connecting, installing, introducing, or otherwise initiating unauthorized technology into the City;
 12. Transmitting or making accessible offensive, fraudulent, sexually explicit, profane, obscene, harassing, intimidating, threatening, or defamatory Materials;
 13. Using online shopping sites, social network sites, or media sites for personal and non business-related use; and
 14. Using City Resources in a manner which may subject the City to any liability claim.
- Users must abide by copyright law and intellectual property rights; downloading non business-related Materials (e.g., games, music files, videos, etc.) is prohibited.

VIII. PASSWORD POLICY

I. BACKGROUND AND PURPOSE

Passwords are used to control and secure access to various systems.

II. POLICY

The use of passwords to control and secure access to systems is subject to the following:

- Passwords do not imply privacy; Users may not expect any privacy in the use of City Resources.
- Passwords should not be generally shared with anyone, written down or posted in your work area, or otherwise stored on non-MIS authorized devices.
- Management reserves the right to request password information related to 3rd party systems; please check with MIS for additional information.
- All Technology Users are required to change their passwords every three (3) months or ninety (90) days at a minimum.
- All network passwords are required to meet strong-password guidelines, are subject to lockout-based failed login attempts, and will require contacting the MIS Help Desk in order to be re-enabled.
- Multifactor authentication devices (“MFAs”) are issued for controlled access to a variety of the City’s Technology, and may be used in combination with passwords.

(This page intentionally blank)

IX. CYBERSECURITY POLICY

I. BACKGROUND AND PURPOSE

Cybersecurity is a shared responsibility and each one of us is entrusted with protecting our public assets and helping to ensure the continuity of government services.

II. POLICY

Cybersecurity is a responsibility everyone must share in to protect the data entrusted to us, and is subject to the following:

- All Users are required to demonstrate due diligence when accessing websites and reviewing emails.
- Educational opportunities about this topic are mandated per the City Manager, including CyberStrength Assessments, Training Assignments, and Mock Phishing Emails. These educational opportunities are intended to help you improve the City's overall cybersecurity posture, and the skills you learn through this program will also be beneficial in protecting you and your family's cybersecurity at home.
- The City participates in the Federal Government's "Stop. Think. Click." program, encouraging users to carefully assess websites and emails before clicking on them. For additional details, please contact the Help Desk.
- No one from within the City will ever email or call anyone asking that you confirm your password or other personally identifiable information.
- The City uses a variety of tools to block potentially malicious websites and emails; questions about blocked websites and emails should be directed to the MIS Department.

(This page intentionally blank)

X. SOCIAL NETWORKS AND SOCIAL MEDIA POLICY

I. BACKGROUND AND PURPOSE

Social networks consist of social media content within online communities of people or organizations that share interests and/or activities and use a wide variety of Internet technology to make the interaction a rich and robust experience. Social media may facilitate discussion on City issues, operations, and services by providing members of the public the opportunity to participate in a variety of ways via the Internet. Examples of social networks and social media (“Social Media”) include, but are not limited to, Facebook, Blogs, My Space, RSS, YouTube, Second Life, Twitter, LinkedIn, Delicious, Flickr, various 3rd party email accounts, instant messaging tools and general websites.

The City views Social Media positively, recognizes that these tools may significantly influence reputation, and understands that Social Media is the basis for much wider changes taking place in online media that may increasingly affect City services delivered to constituents. Because of this, the City has an overriding interest and expectation in deciding “what is said” on behalf of the City on Social Media, and how the City is portrayed. The use of Social Media must be tempered with common sense, good judgment, discretion, and responsible use in order to maximize the benefits of these resources and minimize potential liability.

II. POLICY

Use of Social Media is subject to the following:

- The City’s uses of Social Media must meet one of the following three categories:
 1. As a channel for disseminating time-sensitive information as quickly as possible;
 2. As a channel for enhancing communications with constituents, businesses, and stakeholder organizations related to conducting business with the City; and
 3. As a channel for marketing, promoting, or otherwise furthering the City’s goals and objectives by publishing news and articles, facilitating discussions, and communicating information related to City accomplishments, promotions, or other marketing events.
- The City’s website (lowellma.gov) will remain the City’s official, primary and predominant Internet presence.
- Wherever possible, content posted to City Social Media will also be available on the City’s primary sites.
- Wherever possible, content posted to City Social Media should contain links directing users back to the City’s official websites for in-depth information, forms, documents, or online services necessary to conduct business with the City.
- The City reserves the right at its sole discretion to determine which Social Media sites and tools are appropriate and applicable to best represent the City, as well as which Users may access Social Media tools, or post on behalf of the City.

(SOCIAL MEDIA POLICY CONTINUED)

- Users may not create (or have created for them) any Social Media site on behalf of, for, designed to represent, or otherwise intended to officially promote the City in any official capacity, without first obtaining written permission from the City MIS Department.
- Ownership of any Social Media sites created on behalf of, for, designed to represent, or otherwise intended to promote the City in any official capacity, must be transferred to the City prior to going live online; the City retains ownership of all Materials posted on City-owned Social Media sites.
- All Social Media sites must be registered with the City MIS Department. Registration must include the department coordinating the Social Media, any email associated with the account, administrative account and password credentials, and must identify which Users may be accessing/managing the Social Media site for updates and commentary approval. The City MIS Department must be updated with any changes to any registration information as applicable.
- Wherever possible, City Social Media sites shall comply with all appropriate City policies and standards, and shall include information on or links to existing City privacy policies, terms of use, accessibility policies, social media policies, terms of comment, information on third party providers, information on personal information collected by third parties, and or intellectual property disclaimers, as applicable; please see the City MIS Department for links or templates.
- Users and visitors to City Social Media sites shall be notified that the intended purpose of the site is to serve as a mechanism for communication between City departments and members of the public. City Social media site articles and comments containing any of the following forms of content shall not be allowed:
 1. Comments not topically related to the particular social medium article being commented upon;
 2. Comments in support of or opposition to political campaigns or ballot measures;
 3. Profane language or content;
 4. Content that promotes, fosters, or perpetuates discrimination on the basis of race, creed, color, age, religion, marital status, status with regard to public assistance, national origin, physical or mental disability, or sexual orientation;
 5. Sexual content or links to sexual content;
 6. Solicitations of commerce;
 7. Conduct or encouragement of illegal activity;
 8. Information that may tend to compromise the safety or security of the public or public systems; or
 9. Content that violates a legal ownership interest of another party.
 10. Any content removed based on these guidelines must be retained, including the time, date and identity of the poster when available.

- The City reserves the right to restrict or remove any content that is deemed in violation of this Social Media policy or any applicable law.
- Submission of comments by members of the public to City Social Media constitutes participation in a limited public forum, and is subject to record retention laws.
- Commentary on Social Media shall be moderated, and anonymous posting should be disabled or otherwise not allowed. Enrollment of public commentators shall be accompanied by valid contact information, including name, address and email address, as applicable.
- City Users who participate or otherwise engage in City Social Media must:
 1. Identify themselves as a City Employee;
 2. Conduct themselves in an appropriate manner, and keeping in mind that Material they post may be viewed by others as representing the City;
 3. Add value to the City through your interaction, by providing worthwhile information and perspective;
 4. Avoid comments or topics that may be considered objectionable or inflammatory ;
 5. Frame comments or opposing views in a positive manner;
 6. Protect your privacy, the privacy of citizens, and other City information; ensure to follow all privacy protection laws;
 7. Distinguish between personal commentary “when speaking for yourself”, and not in their City capacity; and
 8. Correct any mistakes or mistaken information that may be communicated, but not alter any previous posts without indicating that you have done so.
- City Users who participate in non-City Social Media are encouraged to:
 1. Make it clear that they are speaking for themselves, and not on behalf of the City, through the use of a disclaimer along the lines of “The postings on this site are my own and do not represent the City’s position(s) or opinion(s).”; and
 2. To avoid using the City of Lowell seal, tagline, or other marketing related material in your Social Media to avoid confusing visitors, or suggesting the appearance that your Social Media posts are representative of the City’s position, opinion, or view.

(This page intentionally blank)

XI. CITY ISSUED DEVICE POLICY

I. BACKGROUND AND PURPOSE

Advances in technology and cellular telephony services have enabled fast communication, email integration, remote wireless connectivity, and more productive mobile employees. The City may issue devices (“Devices”) to Users to assist them with conducting City business-related activities. Devices include, but are not limited to, laptop computers, cell phones and pagers, tablets and GPS systems, and radio and wireless equipment.

II. POLICY

Use of City issued Devices is subject to the following:

- City Devices must be properly recorded, inventoried, asset tagged, and registered as appropriate.
- City Devices do not include any accessories beyond what is factory shipped. If Users wish to add any accessories, it must be either funded by the User or through the User’s department.
- It is the User’s responsibility to ensure that City issued Devices are kept in a safe, functioning and reasonable condition. Equipment must remain free of any writing, drawing, stickers, or labels that are not the property of the City. It is the Department’s responsibility to fund, acquire, and install cases designed to minimize damage to Devices. Users should contact the City MIS Department with any questions about how to maintain City issued Devices, cases for them, or training on them.
- No data, including but not limited to confidential information, should be permanently stored on City Devices; to maintain the integrity of City Materials, frequent data backups and transfers must be maintained between City Resources and City Devices.
- City Devices should not be left unattended in public places, or in places where they may be subject to harsh environmental conditions.
- City Devices which are damaged, lost, or stolen must be reported to Management as soon as possible; Users may be responsible for damages or replacement, as determined by Management. The City may, at its own discretion, choose to remotely wipe or reset lost or stolen Devices, and Users agree to assist with Device recovery as applicable.
- City Devices must be returned upon separation of employment. Users are responsible for ensuring that City Materials are properly transferred prior to being returned, and that Devices are completely unlocked and ready for redeployment as appropriate.
- The loss or theft of a City Device must be reported to the City MIS Department immediately, along with a summary of the data and/or any PID information which may have been on the City Device.

(This page intentionally blank)

XII. PERSONAL DEVICE USE POLICY

I. BACKGROUND AND PURPOSE

The City recognizes that Users may have privately owned or personal Devices (“Personal Devices”) which they are interested in (1) using for City business-related purposes, (2) using for personal use while leveraging the City’s Resources (e.g., City or public Internet connectivity), or (3) using for purely personal use while leveraging their own private Internet connectivity (e.g., personal cellular connectivity).

II. POLICY

Use of Personal Devices is subject to the following:

- All Personal Devices which use City Resources are subject to the City Technology Policy.
- The use of Personal Devices being used for purely personal use while on City property or otherwise representing the City, must be conducted in a manner that doesn’t needlessly interfere with their own work, the work of others directly or indirectly, cause offense to others, violate any applicable laws, or otherwise violate any City policies (e.g., sexual harassment, etc.).
- The City will not be responsible for any Personal Devices, or any damage or loss that might arise from using Personal Devices to remotely connect to, interface with, integrate with, or interact with City Resources, regardless of whether it is being used for City business-related purposes or personal use.
- Integration of Personal Devices with the City’s Resources (e.g., for access to email) must be authorized by Management in advance.
- Only ActiveSync compatible Personal Devices or Personal Devices which can run the Microsoft Outlook application are allowed to synchronize directly with the City’s Email systems. By using ActiveSync to synchronize your Personal Device with the City’s Email system Users agree to allow their Personal Device to be remotely wiped or reset in the event that the Personal Device is lost or stolen, in order to protect access to the City’s Resources and any PID information which may be on the Personal Device.
- The City will neither integrate nor support 3rd party applications on Personal Devices into City systems.
- Technical support for Personal Devices is limited to instructional support only; any support beyond instructional support (e.g., hands on support, or installation/configuration support) must be handled in a manner independent of the City (e.g., using support options available through the manufacturer).

(This page intentionally blank)

XIII. ID & ACCESS BADGE/CREDENTIALS POLICY

I. BACKGROUND AND PURPOSE

The City may choose to issue Users an ID & Access Badge/Credentials (“ID”) in order to (1) identify themselves when working with other employees, citizens, or businesses while representing the City, and (2) for controlled access to authorized areas.

II. POLICY

Use of City issued IDs is subject to the following:

- IDs are to be used for identification purposes and for controlled access to authorized areas.
- IDs require the Users’ photograph, name, employee number, and job title.
- IDs are assigned to specific Users, and should not be shared with other Users.
- Users are responsible for all activity conducted through the use of their ID.
- Users should NOT “swipe” other Users into any area.
- Photographs taken for use with IDs become the property of the City of Lowell, and may be incorporated into other City systems, as deemed appropriate.
- IDs should not be defaced in any way – do not write on it, place labels on it, or punch holes in it.
- IDs should be displayed or otherwise available whenever conducting City business, or otherwise representing the City.
- IDs must be presented for review when requested.
- Lost, stolen or otherwise misplaced IDs, it must be reported to MIS immediately so that they may be deactivated, and another issued as appropriate.
- IDs are the property of the City of Lowell, and must be surrendered upon demand.

(This page intentionally blank)

XIV. DUTY TO CARE FOR AND RESPONSIBILITY TO MAINTAIN CITY TECHNOLOGY AND MATERIALS POLICY

I. BACKGROUND AND PURPOSE

Throughout the course of employment with the City, Users may create and work with a variety of Materials, and acquire and work with a variety of Technology. All City Materials (whether hard copy or electronic) are subject to Commonwealth of Massachusetts' records retention laws, and All City Technology should be properly inventoried and taken care of to avoid compromise, damage, or loss.

II. POLICY

All Users have a duty to care for and a responsibility to maintain City Technology and Materials in accessible and good working condition at all times, and to prevent them from events which may jeopardize City services, whether internal, external, deliberate, or accidental. This includes but is not limited to City issued laptops, monitors, smart phones, IDs, multifactor authentication devices, etc. All technology purchases must be presented to MIS within 30 days of receipt for review, asset tagging, registration, and recording into the City's inventory and technology management system(s).

Leading up to and upon separation from the City, Users are responsible for ensuring that any City Materials which they have created or otherwise worked with are neither modified, deleted, removed, or otherwise impacted, accordingly. Likewise, Users are responsible for ensuring that any City Technology which may have been assigned to them is in working condition, accessible, and unlocked (e.g., passwords removed, or logged with MIS accordingly, etc.).

If an employee is separating from the City, it is critical that neither emails nor data files be deleted or otherwise removed. Generally speaking: (1) Emails should NOT be deleted or otherwise purged from the City's systems; (2) Data files should NOT be deleted or otherwise purged from Devices or the Network; and (3) Neither Emails nor Data files should be released or otherwise shared with unauthorized personnel.

(This page intentionally blank)