



FINAL REPORT

City of Salem
INTERNAL CONTROLS REVIEW

July 25, 2023

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Table of Contents

I.	Executive Summary	1
II.	Scope and Methodology	3
III.	Internal Controls Review	5
	A. Accounts Receivable	5
	B. Cash Management	6
	C. Financial Reporting, Close, & Reconciliations	8
	D. Fixed Assets & Asset Management	9
	E. Inventory	11
	F. IT General Controls	12
	G. Overall Control Environment	14
	H. Payroll & Timekeeping	15
	I. Purchasing & Accounts Payable	15
	J. Revenue & Billing	17
IV.	MANAGEMENT RESPONSES	19
	A. Accounts Receivable	19
	B. Cash Management	20
	C. Financial Reporting, Close, & Reconciliations	21
	D. Fixed Assets & Asset Management	21
	E. Inventory	23
	F. IT General Controls	23
	G. Overall Control Environment	23
	H. Payroll & Timekeeping	24

Table of Contents – Continued

I. Purchasing & Accounts Payable	24
J. Revenue & Billing	25



I. EXECUTIVE SUMMARY

Moss Adams LLP (Moss Adams) was contracted by the City of Salem (the City) to perform an evaluation of the City's internal controls framework. The review took place between September 2022 and April 2023 and was delayed due to limited City staffing and other priorities. The internal controls review focused on assessing select key controls in areas deemed important to protecting the City's assets and resources as well as processing and reporting timely financial information.

The review of internal controls was completed under the consultancy standards of the American Institute of Certified Public Accountants (AICPA). As such, this work was not an audit of internal controls that resulted in a formal opinion or other form of assurance. Moss Adams reviewed the City's internal controls for design but did not test those controls for operating effectiveness. Specific areas where controls were reviewed included:

- Accounts Receivable
- Cash Management
- Financial Reporting, Close, & Reconciliations
- Fixed Assets & Asset Management
- Inventory
- IT General Controls
- Overall Control Environment
- Payroll and Timekeeping
- Purchasing and Accounts Payable
- Revenue and Billing

The City appeared to have internal controls developed for many functions, and the City is in the process of implementing internal controls for other functions. Some examples of commendable activities include:

- Monitoring and reconciliation controls related to:
 - Accounts Receivable
 - Cash Management
 - Financial Reporting, Close, & Reconciliations
 - Fixed Assets & Asset Management
 - Inventory
 - IT General Controls
 - Payroll & Timekeeping
 - Purchasing & Accounts Payable
 - Revenue & Billing
- Reviewing budgets monthly and quarterly by department supervisors
- Performing occasional surprise cash audits and time card audits at close of each pay period



Similar to most cities, there is an opportunity to strengthen policies, procedures, systems, and training. Gaps in internal controls of varying degrees were discovered in many of the functions reviewed, especially in the case of decentralized operations.

The primary conclusion from this review is that the City has an opportunity to improve internal controls and strengthen processes and procedures. Suggested priorities to address over the next 6 to 12 months include, but are not limited to:

- Fixed Assets & Asset Management
- IT General Controls
- Overall Control Environment



II. SCOPE AND METHODOLOGY

The scope of our review included a high-level evaluation of the City's key internal controls to determine the general adequacy of enterprise internal controls and identify areas warranting more in-depth review in the future.

The scope of the internal controls review included the following aspects:

- Identifying control objectives in specific areas and controls that would satisfy each control objective
- Reviewing policies and procedures (P&Ps)
- Examining relevant documentation in support of select key controls
- Performing control walkthroughs to observe the design of key controls and understand workflow processes
- Obtaining an understanding of the characteristics of each relevant control activity (who performs it, how often it is designed to operate, whether it is designed to mitigate fraud, whether it is a manual or programmed [automated] control, and whether it is a preventive, detective, or corrective control)
- Assessing whether the controls in place would prevent or detect errors
- Providing recommendations on key controls that need to be implemented or changed

The work performed included interviews with personnel involved in managing functions, processing key accounting transactions, and handling physical assets in the following departments:

- Finance
- Human Resources
- Technology Services
- Public Works

In support of the internal controls review, the matrix provided in Section III provides results by:

- Control objective
- Control issue
- Corresponding recommendation
- Likelihood of occurrence
- Impact of occurrence

Likelihood of occurrence is defined as the probability of a negative event occurring. Impact of occurrence is defined as the level of significance if a negative event occurs. Risk levels of low, moderate, or high were used to rate the likelihood of occurrence and impact of occurrence for each finding.



Beyond those controls that have been noted within this report as an issue, additional controls were reviewed without exception. It should be noted that many controls were reviewed multiple times in relevant, separate department reviews, but not all controls or departments were reviewed. Departments were selected to provide a broad understanding of the City's control environment. Key controls with exception conditions are reported in this document.



III. INTERNAL CONTROLS REVIEW

	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
A. Accounts Receivable					
1	<p>The City-wide and department-wide P&Ps for billing and collection of accounts receivable (A/R) are well-documented and current.</p>	<p>There are no City Manager-approved P&Ps related to A/R; the current P&Ps in place are neither comprehensive nor complete as they do not contain best practices.</p> <p>There is not a City-wide or department-specific P&P for how to handle accounts receivable (A/R) being sent to collections.</p> <p>As there is no comprehensive P&P, it seems the Treasury Supervisor keeps knowledge internally. This knowledge could be lost if the Treasury Supervisor were to leave the City.</p> <p>The City did not have a documented P&P for performing access rights reviews.</p>	<p>A City-wide A/R management P&P document should be developed to include items such as:</p> <ul style="list-style-type: none"> ● A/R management including A/R tracking and reporting, aging analysis, and reporting on delinquent accounts ● Systems access related to A/R management systems to ensure proper segregation of duties ● Allowance for doubtful accounts establishment, recording of bad debt expense, and criteria for estimate development ● Handling refunds and account credits including required documentation and approvals ● Guidance to departments for developing their specific billing P&Ps to ensure consistency and enhance revenue capture ● What criteria is used to determine when a past due/delinquent account will be sent to a collection agency and how revenue collecting service providers will be engaged and monitored ● When account write-offs can occur, what approvals are required, and how write-offs/account adjustments must be documented and controlled 	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			Departments that are responsible for collecting funds on the City's behalf should have department-specific procedures documented to ensure that billing and collection activities are performed consistently.		
2	Accounts receivable accounting systems are compatible, and reporting is consistent across systems.	There are numerous A/R subsystems across the City with no obvious way that they can communicate with each other, which may cause confusion and inconsistencies in reporting.	Where possible, the City should consolidate the use of outside A/R systems and encourage departments to explore whether the Foundation Information Management System (FIMS) system could be used. For those departments that have to use a separate A/R system, an assessment should occur to evaluate how A/R activity and balances can be exported/imported, what reporting is available, and the related procedures should be documented.	Moderate	Low
B. Cash Management					
1	The City-wide and department-wide P&Ps for cash management are well-documented and current.	Processes are decentralized, and there are no minimum established standards all departments must follow; however, an Administrative Policy and Procedure (APP) is set to be approved soon for departments to follow minimum standards. Aside from the upcoming minimum standards soon to be established, departments that handle cash do not have their own P&P over cash management.	A City-wide cash management P&P document should be developed. Departments that are responsible for managing cash on the City's behalf should have department-specific procedures documented to ensure that cash management activities are performed consistently. These P&Ps should include: <ul style="list-style-type: none"> • Cash receipts management at all cash receipt locations, including physical controls, daily reconciliations, receipt requirements, finance involvement, and deposits 	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
		There is no documented process for creating receipts for customers for cash received.	<ul style="list-style-type: none"> ● Deposit procedures and reporting to finance for accounting ● Bank reconciliation preparation and reviews ● Oversight and monitoring Bank account setup, closing, and access management ● Cash flow reporting and monitoring ● Petty cash, including issuance, detailed procedures for the management of petty cash funds, replenishments, and reconciliations 		
2	A well-documented and current Petty Cash Policy is followed and maintained.	The Petty Cash Policy was last updated in 2010 and might need to be updated to reflect current processes	The City should update the Petty Cash Policy and train departments on the updated P&P. Those departments that use petty cash regularly should have department-specific guidance documented and receive regular training.	Moderate	Low
3	Departments that have a large volume of petty cash transactions with complete a monthly reconciliation of petty cash, which is reviewed and approved by Department Supervisors.	Not all departments complete a monthly petty cash reconciliation.	Although the City noted that petty cash is so small with such limited activity, we recommend City departments that use petty cash implement a monthly reconciliation to safeguard City assets.	Moderate	Low
4	User access to bank accounts is reviewed on a set schedule and the review is documented.	Access to bank accounts is monitored, but the timing (i.e., quarterly, bi-annually, annually) should be set and documented to ensure that the reviews are completed. Reviews that occur should be documented.	The City should add a section in its cash management P&Ps to address how frequently user access reviews of bank accounts are performed and who is responsible for performing those reviews. When these reviews occur, they should be documented and the documentation should be retained.	Moderate	Low



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
C. Financial Reporting, Close, & Reconciliations					
1	The City-wide P&Ps for financial reporting, close, and reconciliation are well-documented and current.	<p>There are no City Manager-approved P&Ps related to financial reporting, close, and reconciliations; the current P&Ps in place are neither comprehensive nor complete.</p> <p>When P&Ps need to be changed, there is no formal process or review to facilitate the changes.</p> <p>There is no documented P&P for making changes to the chart of accounts.</p> <p>There is no documented P&P for monitoring access to prepare, approve, and post journal entries.</p> <p>There are long-tenured employees involved in the financial reporting, close and reconciliation process that hold institutional knowledge that is not documented.</p>	<p>A City-wide Financial Reporting, Close, and Reconciliation P&P document should be developed to factor in the items mentioned in the Control Issue section, and should include items such as:</p> <ul style="list-style-type: none"> ● Chart of accounts setup and General Ledger maintenance ● Fund accounting and reporting ● Cost allocation, classification, and tracking ● Month-end and year-end detailed closing procedures, including timelines, responsibilities, and details ● Financial monitoring and reviews ● Reconciliations, including details on specific accounts, variance analysis, segregation of duties, responsibilities, and reviews ● Financial reporting, including frequency, trend analysis, council reporting, and management oversight ● Audit coordination, oversight, and the monitoring of findings 	High	Moderate
2	Month-end and year-end checklists are reviewed and approved by the Chief Accountant and/or Accounting Supervisor.	Month-end and year-end checklists do exist and appear effective; however, the reviews are not formally documented as reviewed and approved by the Chief Accountant and/or Accounting Supervisor.	We recommend the Chief Accountant and/or Accounting Supervisor document their review and approve these monthly and yearly checklists to ensure that all tasks are completed appropriately.	Low	Low



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
D. Fixed Assets & Asset Management					
1	The City-wide P&Ps for fixed assets and asset management are well-documented and current.	<p>There are no City Manager-approved P&Ps related to fixed assets; the current P&Ps in place are neither comprehensive nor complete.</p> <p>Departments do not have processes in place to monitor idle or surplus assets.</p>	<p>A City-wide fixed assets and asset management P&P document should be developed to factor in the items mentioned in the Control Issue section, and should include items such as:</p> <ul style="list-style-type: none"> ● Accounting and reporting fixed assets (including vehicles, equipment, property, and other fixed assets) ● Cost criterion ● Capitalization thresholds ● Depreciation ● Methods of disposition ● Transfers ● Idle and surplus assets ● Accountability for assets ● Repairs and maintenance ● Physical inventory procedures ● Fixed asset listing 	High	Moderate
2	Fixed assets accounting systems are compatible and reporting is consistent across systems.	There are numerous subsystems that some departments utilize aside from the main FIMS ERP system with no obvious way that they can communicate with each other.	<p>The City should consider using a singular fixed asset system across departments to promote consistent reporting and reduce confusion.</p> <p>For those departments that have to use an outside system for asset management, given the unique nature of the type of assets being managed, controls should be developed and documented to ensure that regular reconciliations between the subsystem and the City-wide system are performed.</p>	Moderate	Low



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
3	Accounting Supervisor reviews and approves fixed asset reconciliation.	FIMS is manually reconciled to the General ledger rather than an automated reconciliation process being in place.	To reduce the chance of any manual errors, the City should consider whether this reconciliation can be automated.	Low	Low
4	Asset useful lives are current and reviewed periodically.	Asset useful lives have not been reviewed in a while and need to be re-evaluated.	The City should consider reviewing its asset useful lives and incorporate any changes into a fixed assets and asset management P&P document. Reviewing these asset lives will help the City to better project the typical asset duration.	Low	Moderate
5	Appropriate individuals have access to fixed asset systems to make changes.	Access to remove fixed assets from systems needs to be reviewed to ensure it is limited only to appropriate personnel.	The City should perform a review (at least annually) to determine whether appropriate individuals have access to modify fixed asset data. Inappropriate access could lead to accidental or purposeful effects on asset accounts.	Moderate	Low
6	Assets are secured and protected as needed to prevent loss.	Laptops and testing equipment are left in locked vehicles, but this still poses a risk of theft.	The City should evaluate whether the practice of employees leaving small movable assets (i.e., laptops and testing equipment) is acceptable and if not, communicate that this practice should be ceased and be carried with the responsible employee.	Moderate	Low
7	Accounting Department periodically reviews departmental fixed asset inventory lists to ensure reasonableness.	No control issue noted, but see recommendation.	The Accounting Department could perform periodic monitoring (quarterly, semi-annually, annually) of departmental inventory to ensure listings appear reasonable and align with expectations.	Low	Low



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
E. Inventory					
1	Inventory accounting systems are compatible, and reporting is consistent across systems.	Not all departments use the same inventory system, which could create more confusion and risk compared to one system.	<p>The City should consider using a singular inventory system across departments to promote consistent reporting and reduce confusion.</p> <p>For those departments that have to use an outside system for inventory management, given the unique nature of the type of inventory being managed, controls should be developed and documented to ensure that regular reconciliations between the subsystem and the City-wide system are performed.</p>	Moderate	Low
2	Physical security procedures over inventory are adequate.	<p>Risk of theft is high as inventory is considered “open inventory.”</p> <p>Aside from needing a key when the warehouse is closed, there did not appear to be controls in place to make sure inventory is not stolen.</p>	The City should consider if restrictive security controls should be in place relating to the open inventory to alleviate risk of loss. Although inventory values might be relatively low, it is best practice to safeguard the City’s assets. Some restrictive security controls might include locks, badge access entry, security cameras, or inventory access logs.	High	Moderate
3	Inventory Clerk performs regular cycle counting and Warehouse Supervisor reviews counts.	No control issue noted but see recommendation.	Period inventory cycle counts are currently handwritten, and although inventory count documents are clear and detailed, we recommend the City consider using an entirely digital inventory-keeping system to reduce the possibilities of manual errors.	High	Moderate



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
F. IT General Controls					
1	Employee records are easily accessible and located.	Regarding creating, modifying, or deleting user accounts, IT does not accommodate legal versus preferred name, which could cause employee record confusion with departments.	The City should consider using either employees' legal or preferred names to easily access files and to create, modify, or delete user accounts and permissions.	Moderate	Low
2	There are well-defined processes for removing employee accounts from City systems.	There is no process for terminating contract employee accounts. Systems that are hosted outside of the main HR system may not have specific requirements for terminating accounts.	The City should develop and document a process to timely remove all employee accounts (including contract employees) in City systems to prevent any unauthorized access. Inappropriate access could lead to accidental or purposeful effects on City systems.	Moderate	Moderate
3	The City-wide P&Ps for IT General Controls are well-documented and current.	There are no documented P&Ps for computer passwords, maintaining software applications inventory on City computers, and improper technology use.	A City-wide IT general controls P&P document should be developed to factor in the items mentioned in the Control Issue section.	High	Moderate
4	Passwords should be required to be changed periodically for all City systems (every 30–90 days), and should not allow the last six passwords to be reused.	There are no consistent requirements to change computer passwords during employment across applicable systems.	The City should consider requiring employees to change passwords on applicable systems to better protect City assets and align with best practices.	High	Moderate
5	City mobile applications used by employees on mobile devices are used appropriately and are secured.	There is no monitoring of mobile applications used on mobile devices.	The City should consider implementing a monitoring system over mobile City applications on employees' phones to ensure that those applications are being used for their intended use and that the applications are properly secured to prevent unauthorized access.	Low	Low



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
6	Install automatic and manual fire-suppression systems in the server rooms and wiring closets and periodically test them. In addition, IT administration should be trained in how to use the fire-suppression system.	Fire protection for wiring closets is only included for certain buildings.	The City should consider an IT assessment to determine the benefits of installing fire protection in all necessary server rooms and wiring closets in City buildings to best safeguard City assets.	Low	Moderate
7	Install an intrusion detection system (IDS) to protect City assets.	An IDS is not fully implemented although it is in progress.	The City should ensure that the IDS is completed and implemented.	Low	Low
8	A formal Disaster Recovery Plan (DRP) is documented, implemented, and tested. Backups are restored on at least a yearly basis to ensure their integrity.	There is a written policy for a DRP, but it has not been updated in a while, and the DRP is not formally tested.	<p>There is a DRP, but it should be formally tested and updated, if needed. Testing should be documented, and the results should be addressed. The plan should be evaluated, updated, and tested regularly to ensure that it addresses the current environment and systems of the City, and that the City is prepared in the event of a major disaster.</p> <p>A restoration schedule should be documented to ensure coverage of all City backups performed. The backups should be restored and evaluated on at least a yearly basis to ensure the data is intact and the integrity has not been compromised.</p>	Moderate	High
9	Monitoring of databases and user access logs is completed.	The City does not perform database and user access controls monitoring as it does not have the necessary database tools to perform such tasks.	We recommend the City consider purchasing the database tools to perform database and user access controls monitoring as it is imperative to protect the City's data and access to systems.	Moderate	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
G. Overall Control Environment					
1	Employees are aware of P&Ps for different processes and know where to find the P&Ps.	No control issue noted but see recommendation.	There is a potential need for the City to regularly remind employees of P&Ps that are in place and where they can be found.	Moderate	Low
2	Cross training efforts have occurred for key accounting positions/activities.	Several accounting functions lack detailed P&Ps, and it does not appear that cross-training for key accounting functions is occurring or formalized.	Departments should ensure that cross-training for key accounting functions is occurring or formalized.	Low	Low
3	P&Ps are well-defined and current across business areas to capture institutional knowledge.	There are long-tenured employees involved in various financial processes that hold institutional knowledge that is not documented.	See recommendations for P&Ps throughout to address this control issue.	High	Moderate
4	Budget reports are formally reviewed by management for monitoring income and expenses.	The City seems to lack formal documentation of budget monitoring meetings that occur monthly or quarterly. Based on conversations, budget reviews are performed monthly and quarterly, but they are more “semi-formal” reviews.	We suggest the City document its budget reviews to track revenues and expenses at the department-level. These formal reviews should include documentation of significant fluctuations and other outliers and should include documentation of who reviewed and approved the budget review.	Moderate	Low
5	Duties are segregated to reduce risks and to protect City assets.	No control issue noted, but see recommendation.	Segregation of duties is mostly implemented at the department level instead of having minimum standards City-wide. Departments should ensure their P&Ps address any segregation of duties issues.	Moderate	Moderate
6	New employees must sign code of conduct.	There is no evidence that employees sign a code of conduct upon hire based on the sample selected.	As part of future implementation of P&Ps, the City should require all employees to sign a code of conduct and/or a code of	Moderate	Low



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			ethics to strengthen the overall control environment.		
H. Payroll & Timekeeping					
1	Non-exempt employees are required to submit on a timely basis, time cards, time sheets or other authorized recording media before payroll processing is performed.	Some employees still use paper timesheets; in general, there are more risks with paper timesheets compared to electronic timesheets.	If reasonable and applicable, all time cards should be recorded electronically to prevent any manual processing errors and to best track when timesheets are submitted and reviewed.	Moderate	Low
2	Payroll and human resources monitor for changes in federal and state payroll and employment regulations.	There is no documented process to demonstrate how the City monitors for changes in federal and state payroll and employment regulations.	The City should document processes to ensure compliance with federal and state payroll and employment regulations as well as how it monitors for changes that are made.	Moderate	High
I. Purchasing & Accounts Payable					
1	There are well-documented P&Ps related to the purchasing and accounts payable process.	<p>The City has a few P&P documents pertaining to accounts payable functions; however, there are no documented P&Ps relating to vendor management, departmental receiving, and purchasing approval limits.</p> <p>As there is no comprehensive P&P, it is unclear if there are spending limits that would trigger the need for a vendor contract based on the Contract and Procurement Manager's annual review.</p>	<p>A City-wide purchasing and accounts payable P&P document should be developed to factor in the items mentioned in the Control Issue section, and include items such as:</p> <ul style="list-style-type: none"> ● Invoice receipt ● Invoice reviews and approvals ● Invoice entry into the system for processing ● Pre-processing and post-processing reviews and supporting documentation ● Three-way match between invoice, purchase order, and receiving documentation ● Check printing and EFT processing 	High	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
			<ul style="list-style-type: none"> ● Mailing of checks ● Vendor contracting ● Vendor management and oversight ● Monitoring and reporting 		
2	Duties are segregated to reduce risks and to protect City assets.	One employee (the AP Processor) performs the check runs, adds the signatures on checks, and mails the checks.	<p>The ability to perform check runs, add signatures on checks, and mail checks should be distributed among at least two employees to ensure that duties are properly segregated. Typically, signed checks should never be returned/mailed to the same individual that prepared them. Someone independent of the check preparation process (AP) should be responsible for reviewing the signed checks, in comparison to the final Check Register, to ensure all checks are accounted for, payees are appropriate, and actually mail the checks.</p> <p>If segregation of duties is not possible, a formal documented review process should be established.</p>	Moderate	Moderate
3	Access to the Vendor Master List is properly restricted to personnel who are assigned the authority for processing vendor additions and changes.	Access to the Vendor Master List is monitored, but there is no documented internal controls for how frequent this monitoring takes place.	Access to the Vendor Master List should be adequately restricted to ensure that only personnel assigned the responsibility and authority for processing additions and changes have that level of access. User access to the Vendor Master Listing should be reviewed regularly and this review should be documented.	Moderate	Moderate
4	Ensure that duplicate payments, where a specific payment is made via credit card	Reviews for duplicate payments (i.e., payment made with a credit card and through Accounts Payable) are done	The City should consider implementing a control to detect if a duplicate payment has been made via credit card and Accounts Payable. This control would	Low	Low



Control Objective		Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
	and again through AP, are not made	manually, and might not catch all instances of duplicate payments.	help limit or eliminate duplicate payments and help to protect City assets.		
J. Revenue & Billing					
1	There are well-documented P&Ps related to the revenue and billing process.	There are no centralized P&Ps to set minimum requirements for departments related to revenue and billing.	<p>A City-wide revenue and billing P&P document should be developed to factor in the items mentioned in the Control Issue section, and should include items such as:</p> <ul style="list-style-type: none"> Defining the specific types of revenue throughout the City and referencing department-specific P&Ps, where appropriate Revenue recognition and accounting for revenue Customer account setup and requirements Overall monitoring of revenue activity Defining the City's requirements around billing and collection activities including defining roles, responsibilities, documentation requirements, and frequency 	High	Moderate
2	Access to create and edit customer accounts is properly restricted to personnel who are assigned those tasks, and review of this access is performed regularly.	<p>Currently, departments do not appear to document who should be able to have access to create and edit customer accounts.</p> <p>Access reviews are not conducted regularly especially for employees who transfer to other City departments.</p>	Access to create and edit customer accounts should be adequately restricted to ensure that only personnel assigned the responsibility and authority for processing additions and changes have that level of access. User access to create and edit customer accounts should be reviewed regularly and this review should be documented.	Moderate	Moderate



	Control Objective	Control Issue	Recommendation	Likelihood of Occurrence	Impact of Occurrence
3	Revenue and billing accounting systems are compatible and reporting is consistent across systems.	There are numerous subsystems with no obvious way that they can communicate with each other.	<p>The City should consider using a singular revenue and billing system across departments to promote consistent reporting and reduce confusion.</p> <p>Where possible, the City should consolidate the use of outside revenue and billing systems and encourage departments to explore whether the FIMS system (ERP) could be used. For those departments that have to use a separate revenue and billing system, an assessment should occur to evaluate how revenue and billing activity and balances can be exported/imported, what reporting is available, and the related procedures should be documented.</p>	Moderate	Low



IV. MANAGEMENT RESPONSES

A. Accounts Receivable	
1	<p>During FY 2024, the City's Finance department, in coordination with City Leadership, will develop and implement an Accounts Receivable (AR) Administrative Policy and Procedures (APP), which will include the following:</p> <ul style="list-style-type: none">- AR management, including AR tracking and reporting, aging analysis, and reporting on delinquent accounts- Systems access related to AR management systems to ensure proper segregation of duties- Allowance for doubtful accounts establishment, recording of bad debt expense, and criteria for estimate development- Handling refunds and account credits including required documentation and approvals- Guidance to departments for developing their specific billing P&Ps to ensure consistency and enhance revenue capture- What criteria is used to determine when a past due/delinquent account will be sent to a collection agency and how revenue collecting service providers will be engaged and monitored- When account write-offs can occur, what approvals are required, and how write-offs/account adjustments must be documented and controlled <p>Additionally, the City's Finance department will coordinate with all departments that are responsible for collecting funds on the City's behalf to ensure department-specific procedures are documented and are consistent across all departments. Finance will perform a review of the department-specific procedures on an annual basis.</p>
2	<p>The City is currently engaged in numerous technology projects to replace, enhance, and/or consolidate the various financial systems used across the City. In these projects, management engages in critical thinking and collaborative conversations with stakeholders to determine whether proposed technology can serve the needs of multiple processes.</p> <p>The City will continue these efforts as it begins the multi-year Enterprise Resource Planning (ERP) replacement project. One of the primary objectives of this project will be to reduce the number of outside systems, including those for AR. Additionally, when the Request for Proposal (RFP) is prepared for the ERP replacement, interfacing abilities with outside systems, such as AR billing systems, and reporting capabilities will be highly import and key considerations when selecting an ERP vendor. As the ERP system is implemented, the City will develop detailed system and process documentation.</p>



B. Cash Management	
1	<p>During FY 2024, the City's Finance department, in coordination with City Leadership, will develop and implement a Cash Management APP, which will include the following:</p> <ul style="list-style-type: none">- Cash receipts management at all cash receipt locations, including physical controls, daily reconciliations, receipt requirements, finance involvement, and deposits- Deposit procedures and reporting to Finance for accounting- Bank reconciliation preparation and reviews- Oversight and monitoring Bank account setup, closing, and access management- Cash flow reporting and monitoring- User access reviews of bank accounts, including frequency, who is responsible for reviews, and documentation retention. <p>Additionally, the City's Finance department will coordinate with all departments that are responsible for managing cash on the City's behalf to ensure department-specific procedures are documented and are consistent across all departments. Finance will perform a review of the department-specific procedures on an annual basis.</p> <p>Please see the [B2] management response below for specifics on Petty Cash.</p>
2	<p>During FY 2024, the City's Finance department, in coordination with City Leadership, will revise the Petty Cash Policy, which will include the following:</p> <ul style="list-style-type: none">- Petty Cash management including, issuance, replenishment, and close out- Petty Cash reconciliation preparation and reviews <p>When the Petty Cash Policy is finalized, the City's Finance department will provide training to departments on the updated policy as part of implementation. Finance will perform a review of the department-specific procedures on an annual basis and provide training at that time, if needed. Finance will also be available to provide training throughout the year for new staff or as requested.</p>
3	<p>The Petty Cash Policy described in the [B2] management response will ensure all departments prepare monthly reconciliations, regardless of the total balance or frequency of use.</p>
4	<p>User access to bank accounts has been addressed in the [B1] management response.</p>



C. Financial Reporting, Close, & Reconciliations	
1	<p>The City's Finance department, in coordination with City Leadership, will develop a Financial Reporting, Close, and Reconciliation APP, which will include the following:</p> <ul style="list-style-type: none">- Chart of accounts setup and General Ledger maintenance- Fund accounting and reporting- Cost allocation, classification, and tracking- Month-end and year-end detailed closing procedures, including timelines, responsibilities, and process details- Financial monitoring and reviews- Reconciliations, including details on specific accounts, subsystems, variance analysis, segregation of duties, responsibilities, and reviews- Financial reporting, including frequency, trend analysis, council reporting, and management oversight- Audit coordination, oversight, and the monitoring of findings <p>The Financial Reporting, Close, and Reconciliation APP will be developed in conjunction with the ERP replacement project and implementation will coincide with the go-live of the new ERP system.</p>
2	<p>Beginning immediately, the Accounting division, within the City's Finance Department, will prepare and review monthly and yearly checklists. The Accounting Supervisor will prepare consolidated monthly and yearly checklist that capture all checklists prepared by the Accounting division. The Chief Accountant will review the monthly and yearly consolidated checklists to ensure that all tasks are completed appropriately. Documentation supporting the preparation and review will be retained by the Accounting division.</p>
D. Fixed Assets & Asset Management	
1	<p>The City's Finance department, in coordination with City Leadership, will develop a Fixed Assets and Asset Management APP, which will include the following:</p> <ul style="list-style-type: none">- Accounting and reporting fixed assets, including vehicles, equipment, property, and other fixed assets- Cost criterion- Capitalization thresholds- Depreciation- Methods of disposition



	<ul style="list-style-type: none">- Transfers- Idle and surplus assets- Accountability for assets- Repairs and maintenance- Physical inventory procedures- Fixed asset listing- Reconciliations of asset manage subsystems to the general ledger- User access reviews of fixed asset subsystems, including frequency, who is responsible for reviews, and documentation retention. <p>The Fixed Assets and Asset Management APP will be developed in conjunction with the ERP replacement project and implementation will coincide with the go-live of the new ERP system.</p>
2	<p>The City is currently engaged in numerous technology projects to replace, enhance, and/or consolidate the various financial systems used across the City. In these projects, management engages in critical thinking and collaborative conversations with stakeholders to determine whether proposed technology can serve the needs of multiple processes. The City will continue these efforts as it begins the multi-year ERP replacement project. One of the primary objectives of this project will be to reduce the number of outside systems, including those used for asset management.</p> <p>Subsystem to general ledger reconciliations have been addressed in the [D1] management response.</p>
3	<p>Currently, the City's Finance department has limited options for automating reconciliations due to system constraints. The City's Finance will explore options for automating the fixed asset reconciliation during the ERP replacement project. A key consideration in the RFP for the ERP will be process automation.</p>
4	<p>The City's asset useful lives will be reviewed for appropriateness in conjunction with the development of the Fixed Assets and Asset Management APP as described in the [D1] management response.</p>
5	<p>User access to bank accounts has been addressed in the [D1] management response.</p>
6	<p>The City's Finance department, in coordination with City Leadership, will evaluate the need for a policy regarding how and where small moveable City owned assets, such as laptops and testing equipment, are stored. Should a policy be developed, City Leadership will communicate and distribute the policy to all City employees.</p>
7	<p>The City's Finance Department will evaluate the need to perform periodic monitoring of departmental inventory. Should it be determined that a periodic monitoring process be implemented, the process will be incorporated in the monthly and/or yearly checklists, depending on the frequency of the review. Additionally, process documentation will be developed to ensure the review is performed appropriately.</p>



E. Inventory	
1	<p>The City is currently engaged in numerous technology projects to replace, enhance, and/or consolidate the various financial systems used across the City. In these projects, management engages in critical thinking and collaborative conversations with stakeholders to determine whether proposed technology can serve the needs of multiple processes. The City will continue these efforts as it begins the multi-year ERP replacement project. One of the primary objectives of this project will be to reduce the number of outside systems, including those used for inventory.</p> <p>Subsystem to general ledger reconciliations have been addressed in the [C1] management response.</p>
2	<p>The City's Finance department, in coordination with City Leadership, will evaluate the need for restrictive security controls over inventory. Potential controls to consider include locks, badge access entry, security cameras, or inventory access logs. If it is determined that controls need to be implemented, City Leadership will communicate changes to all City staff and aid in implementation.</p>
3	<p>In conjunction with the [D7] management response, the City's Finance department will evaluate the need for converting to a digital inventory-keeping system. Additionally, in the City's ERP replacement project, a key consideration in the RFP process will be whether potential vendors offer digital solutions for processes currently performed manually, such as inventory tracking.</p>
F. IT General Controls	
1	<p>The City's Finance Department will coordinate with City's Information Technology Division to include IT general controls into existing or new APPs within the next 12 months to address the recommendations.</p>
G. Overall Control Environment	
1	<p>The City's Finance department, in coordination with City Leadership, will evaluate whether a formal process needs to be developed and implemented for informing employees of current APP's and where the documentation can be found. Should a formal process need to be in place, detailed process instructions will be prepared, which will include frequency of process, roles and responsibilities within the process, and document retention needs.</p>
2	<p>The City's Finance department will develop a formal cross-training plan and position rotation schedule within the accounting function. In any documentation where roles and responsibilities are described, a primary and back-up will be assigned for both preparing and reviewing duties. This will also be incorporated with the work described in the [C1] management response.</p>
3	<p>Please see responses to APP development recommendation throughout the City's management responses herein.</p>
4	<p>The Finance Department will coordinate with all other City departments to continue monthly budget monitoring of expenses and revenues with the addition of a formal review and approval at least quarterly by department.</p>
5	<p>Please see responses to APP development recommendation throughout the City's management responses herein. All APP's developed or reviewed by the City's Finance department will take into consideration any segregation of duties requirements. In the event full segregation of duties cannot be accommodated due to lean staffing, Finance will ensure mitigating controls are in place.</p>
6	<p>The City's Finance department, in coordination with City Leadership, will develop a City-wide policy which requires employees to sign a code of conduct and/or a code of ethics. New hires will be required to sign during their new hire orientation and annually thereafter.</p>



	Current employees will be required to sign at the time the policy is implemented and annually thereafter as well. A technology solution will need to be identified for processing, scheduling, and retaining signed code of conducts.
H. Payroll & Timekeeping	
1	Currently the City is unable to accommodate fully electronic timecard processing due to system and equipment restrictions. In the ERP replacement project, the City will investigate what options exist to transition to a fully electronic time cards for all employees and what equipment would be needed to facilitate a fully electronic process.
2	In FY 2024, The City's Finance department will coordinate with the City's HR and Payroll departments to develop process documentation that details how the City monitors compliance with new and/or changing employment regulations and federal and state payroll regulations. This documentation will be reviewed annually and updated as needed.
I. Purchasing & Accounts Payable	
1	<p>The City's Finance department, in coordination with City Leadership, will develop and implement a Purchasing and Accounts Payable (AP) APP, which will include the following:</p> <ul style="list-style-type: none">- Invoice receipt- Invoice reviews and approvals- Invoice entry into the system for processing- Pre-processing and post-processing reviews and supporting documentation- Three-way match between invoice, purchase order, and receiving documentation- Check printing and EFT processing- Mailing of checks- Vendor contracting- Vendor management and oversight- Monitoring and reporting <p>The Purchasing and Accounts Payable APP will be developed in conjunction with the ERP replacement project and implementation will coincide with the go-live of the new ERP system.</p>
2	<p>The City's Finance department recently filled an AP vacancy and now have two full time FTE in AP. With this full staffing, AP will implement a peer review process during the check cutting process. One AP employee will complete the check preparation process and the other AP employee will review the signed checks, in comparison to the final Check Register, to ensure all checks are accounted for and payees are appropriate. The reviewing employee will also be responsible for mailing the checks. The Accounting Supervisor and Chief Accountant will serve as backups in the review and mailing process, should AP need coverage.</p> <p>Additionally, the City's Finance department is planning to engage in a project transition away from manual check payments to EFT payments. During that project, we will ensure segregation of duties are included in the electronic payment processing and will continue to perform the review described above for any payments that remain as manual checks, if any continue to exist.</p>



3	Vendor master list management, including access restrictions and user access monitoring, will be address in the Purchasing and Accounts Payable APP, as described in the [I1] management response.
4	In the development of the Purchasing and Accounts Payable APP, as described in the [I1] management response, the City's Finance department will evaluate the need for implementing a control detect if a duplicate payment has been made via credit card and Accounts Payable.
J. Revenue & Billing	
1	<p>During FY 2024, the City's Finance department, in coordination with City Leadership, will develop and implement a Revenue and Billing APP, which will include the following:</p> <ul style="list-style-type: none">- Definitions of specific types of revenue throughout the City- Revenue recognition and accounting for revenue- Customer account setup and requirements, including the review of users with this ability- Overall monitoring of revenue activity- Requirements around billing and collection activities including defining roles, responsibilities, documentation requirements, and frequency <p>As the billing, revenue, and AR processes are highly interconnected, there may be overlap between the Revenue and Billing APP and the AR APP described in the [A1] management response. The City will consider combining the two APP's into one. Additionally, the City's Finance department will coordinate with all departments that are responsible for billing and processing revenue on the City's behalf ensure department-specific procedures are documented and are consistent across all departments. Finance will perform a review of the department-specific procedures on an annual basis.</p>
2	User access to create and edit customer accounts has been addressed in the [J1] management response.
3	<p>The City is currently engaged in numerous technology projects to replace, enhance, and/or consolidate the various financial systems used across the City. In these projects, management engages in critical thinking and collaborative conversations with stakeholders to determine whether proposed technology can serve the needs of multiple processes.</p> <p>The City will continue these efforts as it begins the multi-year ERP replacement project. One of the primary objectives of this project will be to reduce the number of outside systems, including those supporting billing and revenue processes. Additionally, when the RFP is prepared for the ERP replacement, interfacing abilities with outside systems, such as billing systems, and reporting capabilities will be highly import and key considerations when selecting an ERP vendor. As the ERP system is implemented, the City will develop detailed system and process documentation.</p>



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