INTERNAL CONTROLS REVIEW PROGRESS REPORT

Yellow highlighted items have been updated since last report in April 2018

**INTERNAL AUDIT RECOMMENDATIONS TRACKING**
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
**RECOMMENDATIONS ADDRESSED THROUGH INTERNAL AUDIT WORK PLANS**
Monthly Reconciliation	1	High	High	Bank Reconciliation	Internal Audit: prepare documentation Finance: create bank reconciliation procedures	**Validated.** Management has implemented a streamlined methodology and procedures; including streamlining the process between Accounting and Treasury functions. The methodology and process have been incorporated into the updated bank reconciliation desk procedure.
Revenue and Cash	2, 8, 9	High	Moderate	Cash Handling	Internal Audit: update policies and procedures and provide training Finance: implement Internal Auditor recommendations	**Validated.** Cash handling audit completed. A new Cash Handling Administrative Instruction (AI) incorporating best practices has been completed and validated. Citywide training will be provided in the coming year.
Accounts Receivable Revenue and Cash	1 12, 13	High	High	Accounts Receivable	Internal Audit: assess A/R, inventory, ambulance billing, fees and invoicing Finance: implement A/R module in new ERP system; complete billing and collections and A/R procedures	• **Completed.** A review of citywide accounts receivable (A/R) functions was completed and an A/R policy was reviewed by the Internal Auditor as part of the A/R review. Internal Auditor will present findings at the April 2018 meeting. **Pending ERP System:** The ERP will be phased in starting July 1, 2018. The centralized A/R module will be phased in Fall 2018. Financial Operations staff now audits off-site A/R functions, reconciling balances to the general ledger, and provides corrections and training on processes. • **Validated.** Internal Auditor has completed an audit of the City's ambulance contract, and City staff has developed a reconciliation process. New contract will include prescriptive language on reports and reconciliation requirements that will closely monitor billing, fees and invoicing. • **Completed.** Staff took on billing functions for fire inspections, the Swim Center, certain Police Department billings, and billings for special events. Staff collected 56% of the total amount of delinquent accounts processed, and the City's collection agency collected about 11% of the amount referred, significantly higher than the collection rate for local government debt collection.

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Revenue and Cash Training	3 1	High	Moderate	Fraud and Internal Controls	Perform training	**Validated/Completed.** Written Counting Room procedures, including internal control practices, are completed, validated and implemented. Further improvements are included in the draft Cash Handling AI. Internal Auditor provided fraud and internal controls training overview in September 2016. Supervisor Handbook has been distributed to all Supervisors. Ethics code has been adopted by Council and an Administrative Instruction was distributed to staff in July 2016.
Revenue and Cash	10	Moderate	Moderate	Internal Controls	Implement Internal Auditor recommendations	**Validated/Completed.** Cash handling audit completed. A Cash Handling AI is completed and validated. Citywide training will be provided.
RECOMMENDATIONS THAT HAVE DISCRETE TASKS THAT ARE EASILY IMPLEMENTED						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Revenue and Cash	1	High	High	Counting Room	Finalize draft access policies, and distribute and maintain log book	**Validated.** Counting room security policies and procedures have been distributed to staff and a log book documenting visitor entry is now in use.
Purchasing and A/P	1	High	High	A/P	Disseminate existing policies and procedures, and provide training	**Completed.** Accounts Payable procedures are complete, along with the User Training Manual. A/P training continues to be provided to staff Citywide.
Revenue and Cash	5	Moderate	High	Cash Transport	Select secure method for cash transport	**Completed.** There are armored transport pickups at three sites, which represent the majority of cash collected. It is not economical to provide armored car pickup for all the 50 cash collection sites in the City. The Cash Handling AI provides guidance on methods to transport cash.
Revenue and Cash	4	High	Moderate	Storage	Lock cabinets and secure keys, issue permits in sequential order, and reconcile permit system and POS	**Validated.** Finance has worked with Parking Operations staff to implement improvements, including secure storage of permits and logging of permit numbers. Written procedures have been implemented.
Revenue and Cash	7	Moderate	Moderate	Counting Room	Repair closed circuit monitor, and revise policy	**Validated.** Counting Room monitor has been repaired and is in working order. Staff has been advised to report inoperable equipment to management. Staff will also be reviewing coverage of cameras to ensure maximum security. A new Treasury Administrator position provides

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						further supervision of the Counting Room operations and equipment needs.
Purchasing and A/P	5	Moderate	Moderate	P-Cards	Provide consistent enforcement	**Validated.** The purchasing card violation program, which includes penalties, was formalized and distributed to staff in January 2015, and individual department trainings were conducted. Purchasing notifies departments on a monthly basis about outstanding receipts and status of violations. A purchasing card agreement has been signed by all purchasing card users in addition to cardholders to ensure knowledge of the enforcement system.
Revenue and Cash	6	Moderate	Moderate	Counting Room	Ensure policy compliance	**Completed.** Staff has been reminded of policies regarding use of pocketless smocks in the Counting Room and has been equipped with new pocketless smocks which are being commercially laundered.
Grants Management	1	Moderate	Moderate	Grants	Adopt draft Administrative Instruction	**Validated.** A Grants Administrative Instruction has been completed.
Revenue and Cash	14	Low	Moderate	Safes	Obtain safe	**Completed.** Treasury staff sent a notice to all cash handling locations reminding them of the need to store currency (cash/checks) and items of monetary value in secure locations. Completed Cash Handling AI requires departments to have secure storage for cash on site. Going forward, Treasury will perform audits periodically.
Payroll	6	Moderate	Low	Overtime	Track overtime errors, and provide training	**Completed.** Guidelines have been incorporated in supervisor handbook.
Purchasing and A/P	6	Low	Low	A/P Queries	Document process, and perform monitoring	**Validated.** Staff is continuing to monitor all warrants to ensure that cumulative vendor limits do not exceed procurement policy parameters. Desk procedures and the A/P User Training Guide have both been updated to reflect the $10,000 threshold. Procurement staff is monitoring purchase orders and contracts.
Purchasing and A/P	7	Low	Low	Duplicate Payments	Increase frequency of monitoring	**Validated.** Staff now conducts monthly duplicate payment monitoring rather than quarterly monitoring.
RECOMMENDATIONS TO BE IMPLEMENTED BY THE CITY THAT WILL TAKE TIME TO IMPLEMENT						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Payroll	1	High	Moderate	On boarding and off boarding	Perform process development and documentation	**Pending ERP System.** While current payroll policies and procedures include processes payroll staff can control when notified of an employee's termination (i.e., verification that additional pays have end dates and the appropriate deductions will

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						be taken from the final check), the new ERP system will make it possible to keep track of equipment issued to employees and allow new policies to be implemented, such as deducting the value of outstanding equipment from final paychecks if not returned, and will have better workflow capability to allow the appropriate departments to be notified when key events happen.
Purchasing and A/P	2	High	Moderate	Personnel changes	Perform process development and documentation	**Completed.** When an employee terminates employment with the City, the purchasing card is one of the items that is retrieved along with other City-issued items (badge, keys, computer, phone). The responsibility to cancel the card has been incorporated in the Purchasing Card policies and procedures.
Purchasing and A/P	3	High	Moderate	P-card review	Perform process development and documentation	**Validated.** Management believes that responsibility for monitoring the appropriateness of transactions is clearly assigned and stated in the purchasing card policies and procedures and is the approver's responsibility at the department level, rather than the responsibility of Finance staff. There is also a limited restriction on the use of the card for certain purchases (i.e., amusement parks, liquor store purchases, are denied upon initial swipe). Finance is conducting spot audits of pcard transactions as recommended and documented in pcard review procedures.
Purchasing and A/P	4	High	Low	Credit card refunds	Perform process development and documentation	**Completed.** Cash Handling AI sets out procedures and controls necessary for all refunds.
Accounts Receivable	2	Moderate	Moderate	Billing and Collections	Develop process, policies, and procedures for billing and collections	**Completed**. Accounts Receivable policies have been completed and reviewed by Internal Auditor. Billing & Collections AI has been completed.
Revenue and Cash	9	Moderate	Moderate	Cash handling	After cash handling audit, develop program and perform random cash audits	**Completed.** With the publication of the Cash Handling AI, staff have implemented training and will be performing spot cash audits throughout the City, as required by the Cash Handling AI.
Grants Management	2	Moderate	Moderate	Grants management	Hire dedicated position, develop policies, provide training	**Validated.** Senior Grants Analyst position has been created and filled. Grants administrative instruction has been completed. Training provided on new federal reporting guidelines to over 50 City staff in January 2016.

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Payroll	2	Moderate	Moderate	Pay rate verification	Perform process improvement and documentation	**Validated.** Finance has a monthly meeting with HR to review / refine roles, responsibilities, process documentation. HR has created a query to identify pay rates that do not match the agreed upon salary schedules for all job codes. Once the query is run and if it returns data, it is the responsibility of HR staff to make the corrections and notify the employees affected with any potential over or underpayments that may have happened as a result of the incorrect pay rate.
Payroll	3	Moderate	Moderate	Timekeeping	Implement electronic timecards	**Completed.** Electronic timecards are used for all employees with some small exceptions among employees performing multiple jobs.
Payroll	4	Moderate	Moderate	Overtime	Perform process improvement and documentation	**Completed.** Departments are responsible for approving overtime requests and reviewing timecards. In general, employees are to receive advance authorization for overtime and supervisors approve timecards prior to payment. Payroll provides departments with overtime use reports each payday, and runs exception reports as well to capture large paychecks. Guidelines are included in the Payroll policies & procedures and are noted in the Supervisor Handbook, which reminds supervisors of their responsibility to track errors (they receive biweekly overtime reports from payroll) and inform payroll of errors.
Payroll	5	Moderate	Moderate	FLSA	Monitor supplemental timecards	**Pending ERP System.** While a manual process is in place, changes to be introduce with the new ERP system will alleviate the requirement for supplemental timecards to calculate FLSA pay.
Payroll	9	Low	Moderate	Timekeeping	Implement random reviews of schedules and timekeeping	**Pending ERP System.** It is anticipated that the new HR/Payroll system will create efficiencies in a currently cumbersome process that will better manage individual schedules and allow for random audits to be conducted.
Revenue and Cash	15	Low	Moderate	Cash handling	After cash handling audit, analyze need for separate cash tills	**Validated.** The Cash Handling AI requires each person handling cash to have a separate till. Exceptions must be approved by the Finance Department.
Purchasing and A/P	8	Low	Low	Refunds	Perform process improvement and documentation	**Validated.** Policy is included in the validated Purchasing Card AI for Pcards, and in the A/P Manual. Refund procedures are also included in the Billing & Collections and Cash Handling AI's for credit cards and all other refunds. Staff and the Internal Auditor are working with

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						the Resource Recovery and Recycling Division to assess the waste deposit refunding process.
RECOMMENDATIONS THAT REQUIRE DOCUMENTATION OF POLICIES AND PROCEDURES						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Revenue and Cash	1	High	High	Counting Room	Develop policy for visitor access	**Completed.** This has been addressed above.
Citywide and Departmental Policies	1	High	Moderate	Administrative Instructions	Update and revise	**Completed.** A full set of Finance policies and procedures have been updated and reviewed by the Internal Auditor.
Payroll	7	Moderate	Low	Timekeeping Review	Develop policy and provide training	**Completed.** Payroll procedures manual has been completed. Relevant portions of the policy are highlighted in the supervisors' handbook (September 2016).
Payroll	10	Low	Low	Payroll	Document internal procedures	**Completed.** Payroll procedures manual has been completed.
Citywide and Departmental Policies	2	Low	Low	Department Procedures	Develop and document procedures	**Completed.** A full set of Finance policies and procedures have been updated and reviewed by the Internal Auditor.
RECOMMENDATIONS THAT REQUIRE TRAINING						
CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Purchasing and A/P	1	High	High	A/P review and approval	Conduct training for A/P staff (in departments)	**Completed.** User training completed in October and November included 52 participants. User Training Guide is completed but always being updated.
Training	2	Low	Low	Fiscal training	Assess gaps and update training	**Completed.** Council adopted the City's Code of Ethics on November 24, 2015 and the Administrative Instruction was distributed in July 2016. Finance continues to add fiscal training sessions for citywide staff. Additional training will be conducted once policies and procedures are completed.
RECOMMENDATIONS THE REQUIRE CHANGES TO CURRENT TECHNOLOGY						
Revenue and Cash	11	Moderate	Moderate	Point of Sale (POS)	Explore POS features and develop plan for comprehensive deployment	**Pending ERP System.**

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Payroll	9	Low	Moderate	Scheduling	Explore additional Kronos capabilities	**Completed.** City is exploring cost/benefit of advancing scheduling components within current electronic timekeeping system.

Validated: Verified documented policy, procedure or Administrative Instruction addresses internal controls finding or element of finding.

Pending Final Review: Documented policy, procedure, or Administrative Instruction is pending final review by the City Attorney's Office and/or the City

RELATED TO INTERNAL INITIATIVES ALREADY UNDER DEVELOPMENT	
NEW ERP SYSTEM	
Payroll (2) – Employee pay rates are accurate (cross training HR staff) *(response above)*	Payroll (3) – City Attorney on Kronos *(response above)*
Payroll (5) – FLSA monitoring / process *(response above)*	Payroll (8) – Manual payroll process – update with ERP and build in checks for current manual system. ***Partially completed**- checks for current manual system are implemented.*
Accounts Receivable (1) – A/R systems: address through new ERP system and billings / collections procedures *(response above)*	
TRAINING ACADEMY	
Payroll (4) – Overtime approval and documentation. Include in supervisor handbook. *(response above)*	Payroll (6) – Timekeeping review / responsibilities. Included in Payroll policies and procedures. Will include in supervisor handbook. *(response above)*
Payroll (7) – Supervisor role in FLSA, other labor laws (overtime eligibility, etc.). Will include in supervisor handbook. Overtime procedures included in Payroll policies and procedures. *(response above)*	Training (1) – Waste, abuse, fraud, abuse training. Will engage auditors to provide short training / video to supervisors during supervisor training. Ethics policy in development. *(response above)*

Manager's Office, before it is reviewed by Internal Auditor.