



INTERNAL CONTROLS REVIEW PROGRESS REPORT

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	Nearing completion. Management has implemented a streamlined methodology and procedures; final step is to streamline process between Accounting and Treasury functions. The methodology and process will be included in the updated bank reconciliation and desk procedure, to be finalized in Spring 2016.
Revenue and Cash	2, 8, 9	High	Moderate	Cash Handling	Internal Audit: update policies and procedures and provide training Finance: implement Internal Auditor recommendations	Pending Review. Cash handling process improvements, including issuance of standard policies and procedures and citywide training, will be implemented upon the completion of the internal auditor cash handling review in the early part of 2016.
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 procedures	Pending Review/ ERP System. <ul style="list-style-type: none"> Internal Auditor will be reviewing citywide A/R functions in the Spring with recommendations to be incorporated in A/R and Billing & Collections procedures by June 2016. The new ERP system, which will provide a centralized A/R capability, will begin implementation in January 2016 and be fully operational on July 1, 2017. A review of the City's ambulance provider has begun. The Billing & Collections unit took on billing functions for fire inspections, code enforcement, the Swim Center, and Police Department billings for events. Staff collected 34% of the total amount of delinquent accounts processed, and the City's collections agency collected about 13% of the amount referred, (3% higher than the collection rate for government debt and 7% higher than that of local government).
Revenue and Cash Training	3 1	High	Moderate	Fraud and Internal Controls	Perform training	Pending Review. <ul style="list-style-type: none"> Written Counting Room procedures, including internal control practices, are in draft form. Further improvements are pending the Cash Handling review. Internal Auditor will be providing fraud and internal controls training as reviews are completed. Ethics code has been adopted by Council and been included in Finance training.

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CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
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	Completed. 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	Continuing. Staff is updating Accounts Payable procedures. A full set of procedures will be completed by June 2016 and citywide A/P training will be provided.
Revenue and Cash	5	Moderate	High	Cash Transport	Select secure method for cash transport	Continuing. 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. However, staff will consider other options for secure transport (such as check scanning) while undertaking the cash handling review in Spring 2016.
Revenue and Cash	4	High	Moderate	Storage	Lock cabinets and secure keys, issue permits in sequential order, and reconcile permit system and POS	Partially completed. Finance has worked with Parking Operations staff to implement improvements, including secure storage of permits and logging of permit numbers. Procedures are being drafted and are anticipated to be completed by December 31, 2015.
Revenue and Cash	7	Moderate	Moderate	Counting Room	Repair closed circuit monitor, and revise policy	Completed. Counting Room monitor has been repaired and is in working order. Staff has been advised to report inoperable equipment to management. A new Treasury Administrator position will provide further supervision of the Counting Room operations and equipment needs.
Purchasing and A/P	5	Moderate	Moderate	P-Cards	Provide consistent enforcement	Completed. 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.
Grants Management	1	Moderate	Moderate	Grants	Adopt draft Administrative Instruction	Continuing. A Grants Administrative Instruction will be completed by June 2016.
Revenue and Cash	14	Low	Moderate	Safes	Obtain safe	Pending Review. 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. Further review and site-specific recommendations will be implemented along with the cash handling review.

INTERNAL AUDIT RECOMMENDATIONS TRACKING

CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Payroll	6	Moderate	Low	Overtime	Track overtime errors, and provide training	Continuing. <ul style="list-style-type: none"> Guidelines will be incorporated in supervisor handbook to be drafted by June 2016.
Purchasing and A/P	6	Low	Low	A/P Queries	Document process, and perform monitoring	Partially completed. Staff is continuing to monitor all warrants to ensure that cumulative vendor limits do not exceed procurement policy parameters. Desk procedures will be completed by June 2016.
Purchasing and A/P	7	Low	Low	Duplicate Payments	Increase frequency of monitoring	Completed. 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 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	Continuing. 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 staff will be conducting spot audits of pcard transactions as recommended.
Purchasing and A/P	4	High	Low	Credit card refunds	Perform process development and documentation	Completed. Management believes that the controls that are in place are sufficient. Refunds by credit card appear on the purchasing card statement and are reviewed and

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						approved by department approvers during the reconciliation process as if they were a charge. Department approvers are managers and department heads. To ensure that staff has a proper understanding of the process, a refund process has been incorporated in the purchasing card policies and procedures.
Accounts Receivable	2	Moderate	Moderate	Billing and Collections	Develop process, policies, and procedures for billing and collections	Pending Review. As noted above, billing and collection procedures are in draft form and will be submitted to the Finance Director for approval by end of December 2015. Drafting a separate A/R policy will be the joint effort of Accounting and Revenue Division and is scheduled to occur in first quarter of 2016, informed by internal audit A/R review. Development of AI will follow final approval of policies and procedures.
Revenue and Cash	9	Moderate	Moderate	Cash handling	After cash handling audit, develop program and perform random cash audits	Pending Review. As noted above, this will occur after internal audit review and recommendations for cash handling policy.
Grants Management	2	Moderate	Moderate	Grants management	Hire dedicated position, develop policies, provide training	Continuing. Senior Grants Analyst position has been created and filled. Policies and procedures will be completed by June 2016.
Payroll	2	Moderate	Moderate	Pay rate verification	Perform process improvement and documentation	Completed. 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	Near Completion. The City has purchased mobile licenses for our electronic timekeeping system to accommodate the submission of electronic timecards by staff operating in remote locations. The mobile licenses are currently being implemented and tested with anticipation of the technology going "live" in January 2016. Staff is also continuing to work with the City Attorney's Office to implement electronic timekeeping.
Payroll	4	Moderate	Moderate	Overtime	Perform process improvement and documentation	Continuing. Management has confirmed that departments must be responsible for approving overtime requests. In general, employees are to receive advance authorization for overtime and supervisors approve timecards prior to payment. Guidelines will be

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						incorporated in supervisor handbook to be drafted by June 2016.
Payroll	5	Moderate	Moderate	FLSA	Monitor supplemental timecards	Completed. A process is in place. 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 allow for random audits to be conducted by Payroll staff.
Revenue and Cash	15	Low	Moderate	Cash handling	After cash handling audit, analyze need for separate cash tills	Pending Review.
Purchasing and A/P	8	Low	Low	Waste demolition refunds	Perform process improvement and documentation	Partially completed. A standardized form must now be completed for all refund requests. A standard process will be documented by Spring 2016.
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	Continuing. A full set of updated Finance policies and procedures will be completed by June 2016. Staff is working to update financial Administrative Instructions as part of this effort.
Payroll	7	Moderate	Low	Timekeeping Review	Develop policy and provide training	Continuing. In draft Payroll procedures manual. Will be included in upcoming supervisors' handbook (June 2016).
Payroll	10	Low	Low	Payroll	Document internal procedures	Continuing. In draft Payroll procedures manual. Manual will be finalized by June 2016.
Citywide and Departmental Policies	2	Low	Low	Department Procedures	Develop and document procedures	Continuing. A full set of updated Finance policies and procedures will be completed by June 2016. Staff is working to update financial Administrative Instructions as part of this effort. In the meantime, citywide training has been provided in the areas of year end accounting, reporting, procurement, and A/P procedures.
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	Continuing. Council adopted the City's Code of Ethics on November 24, 2015. Finance continues to add fiscal

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						training sessions for citywide staff. Additional training will be conducted once policies and procedures are completed.

RECOMMENDATIONS THE REQUIRE CHANGES TO CURRENT TECHNOLOGY

CONTROL OBJECTIVE	#	LIKELIHOOD	IMPACT	SUBJECT	ACTION	STATUS
Revenue and Cash	11	Moderate	Moderate	Point of Sale (POS)	Explore POS features and develop plan for comprehensive deployment	Pending ERP System.
Payroll	9	Low	Moderate	Scheduling	Explore additional Kronos capabilities	Continuing. City is exploring cost/benefit of advancing scheduling components within current electronic timekeeping system.

RECOMMENDATIONS RELATED TO INTERNAL INITIATIVES ALREADY UNDER DEVELOPMENT

NEW ERP SYSTEM

Payroll (2) – Employee pay rates are accurate (cross training HR staff) <i>(response above)</i>	Payroll (3) – City Attorney on Kronos <i>(response above)</i>
Payroll (5) – FLSA monitoring / process <i>(response above)</i>	Payroll (8) – Manual payroll process – update with ERP and build in checks for current manual system. <i>Partially completed-</i> checks for current manual system are implemented.
Accounts Receivable (1) – A/R systems: address through new ERP system and billings / collections procedures <i>(response above)</i>	

TRAINING ACADEMY

Payroll (4) – Overtime approval and documentation. Include in supervisor handbook. <i>(response above)</i>	Payroll (6) – Timekeeping review / responsibilities. Included in existing timekeeping manuals. Will include in supervisor handbook. <i>(response above)</i>
Payroll (7) – Supervisor role in FLSA, other labor laws (overtime eligibility, etc.). Will include in supervisor handbook. Overtime procedures included in draft Payroll handbook. <i>(response above)</i>	Training (1) – Waste, abuse, fraud, abuse training. Will engage auditors to provide short training / video to supervisors during supervisor training. Ethics policy in development. <i>(response above)</i>