

CITY OF NEWTON

FINANCIAL AUDIT ADVISORY COMMITTEE

ACCOUNTING and AUDIT SUB-COMMITTEE REPORT

TUESDAY, MARCH 18, 2014

Present: Gail Deegan (Chair) Ald. Fuller and Ald. Danberg

Also present: David Wilkinson (Comptroller), Maureen Lemieux (Chief Financial Officer), Sue Dzikowski (Director of Finance; School Department), Joseph Mulvey (Chief Information Technology Officer), and Lieutenant David MacDonald (Police Officer)

The Sub-committee reviewed the prior year comments that remain unresolved and the current year comments contained in the Auditor's Management Letter. Representatives of each of the departments that have either type of comment in the Management Letter joined the Sub-committee.

Police Details

At the time of the City's external audit, the City had approximately \$28,000 of police detail account receivables that were over a year old. The auditors recommend that the City develop a formal policy for the uncollectible police detail accounts receivables and the write-off of those balances in order to maintain accurate records and identify amounts that need to be funded through the general fund. The auditors also recommend that the City purchase software for billing and collection for police details.

Comptroller David Wilkinson explained that he expects that the portion of the comment related to a formal policy will be removed from the next management letter, as the City has a policy in place. The policy specifies how the Police Department should handle collection of receivables and write-offs. The Police Department refers old debt to the Law Department for collection and some companies do eventually pay the debt. Both the Police Department and Law Department work hard to track down the companies who owe money. The receivables that are deemed uncollectible are forwarded to the Comptroller for write-off. The Police Department will not provide police details if a company has old debts.

One of the goals of the Administration is to set up departments to accept credit card payment, which should make collections easier. The Administration has set up a working group to develop a plan for credit cards. It would also be helpful to have a system that allows the Police to collect from companies that sporadically use police details.

It is unlikely that the second half of the comment related to purchasing software will be removed next year. The Administration is still considering how to track billing and collections. It may not be necessary to purchase a separate software program.

## Disaster Recovery

Last year the Auditors' comments included a note that the City did not have the hardware required to access the accounts receivable data in the event of a disaster. The City purchased the necessary hardware last fiscal year but did not set it up offsite. The City purchased a Storage Area Network this past November. The City has also purchased and configured a new disaster recovery system that will be moved to the Education Center in the next three weeks.

The Information Technology Department has done a tremendous job with moving forward with the recovery plan. Within the last year, the department has upgraded the UPS for City Hall. The update for the UPS at the Police Department is in process. The department is also doing regular testing on the emergency generator. In addition, the citywide fiber project has begun, which will provide better technology to continue to improve the disaster recovery plan.

The City will be upgrading its FinancePlus software in October. In the meantime, the administration is working with the Inspectional Services Department to have large contractors pay on-line. When the City moves forward with the construction of Fire Station #3, the new station will include a data center that will provide a more protected environment for computer equipment.

The plan is to move the City to a Voice Over Internet Protocol (VoIP) phone system throughout the City. VoIP is currently being used in the City's Customer Service Department. The City is also looking at a Mobile Device Management System for all mobile devices issued by the City. The System should be in place by the end of Fiscal Year 2015.

## Reconciliation of Accounts Receivables.

The auditors commented that there are not procedures in place to reconcile department and other detailed accounts receivable balance to the general ledger monthly. The Administration is currently focusing on tax and utility bills. The tax bills are in good shape but there is a problem with the utility bills. There is no bridge between the City's Munis Software and the City's FinancePlus Software. All utility bills are handled through the Munis Software; therefore, the City needs to build a software bridge between the two programs to provide the ability to reconcile the utility bills in FinancePlus.

There are detailed receivable records for all infrastructure betterments, police details, water and sewer payment plans and other charges including school lunch fees and rental of school buildings, which are maintained by individual departments and are only recorded in the general ledger at the fiscal year-end. The Administration will work to improve the general ledger oversight over major receivables that are not overseen by the Treasurer like utility betterments, water and sewer payment plans and police detail receivables.

## Student Activity Funds

The auditors recommend that the School Department develop formal documentation for the procedures and related results of the internal student activity fund agreed upon procedures. They are also recommending that the City hire an independent audit firm to conduct audits of the student activity funds every three years.

The School Department has a list of agreed upon procedures and they have documentation for the high school activity funds. The School Department will continue performing internal audits, with full documentation. The School Department does not believe that the auditors had picture complete understanding of all the internal procedures and policies in place and will provide additional information to the auditors with the hope that by presenting documentation the comment will be resolved.

Respectfully Submitted

Gail Deegan, Chairman