

CITY OF NEWTON

FINANCIAL AUDIT ADVISORY COMMITTEE

ACCOUNTING and AUDIT SUB-COMMITTEE REPORT

WEDNESDAY, APRIL 13, 2016

Present: Tony Logalbo (Chair), Councilor Ruthanne Fuller, David Spector, Sue Dzikowski, and David Wilkinson

The Accounting and Audit Sub-committee met to discuss the Auditor's Management Letter comments and the Administration's responses to the individual comments.

Utilities Division Payroll Comments

Commissioner of Public Works Jim McGonagle and Utilities Director Ted Jerdee joined the sub-committee to discuss the auditor's management letter comments for Fiscal Year 2015 related to Utilities Division payroll policies and procedures.

The first comment states that though there are formal policies and procedures related to payroll, there are no formal policies and procedures related to the specific and/or unique aspects of the Utilities' payroll. For example, the Public Works Department put into practice new policies and procedures for allocating payroll for water, sewer and storm water activities within the Utilities Division. Each of the utilities (water, sewer, and storm water) within the department is funded through a different funding source. Employees in the Utilities Division are assigned to one specific fund and are paid through that respective fund. There are occasions when an employee is temporarily assigned to a different fund for a certain period and should be paid through that fund for the duration of that assignment. The current policies and procedures do not address this type of unique payroll situation and how to track employee time and then transfer the funds between the water, sewer and stormwater enterprise funds. The auditor recommends that the department develop written policies for this and other specific and/or unique aspects of the Utilities' payroll to minimize inconsistencies and improve and standardize policies and procedures.

The second comment relates to the daily reports for employees in the Utilities Division. The daily reports are completed in the morning and include employees' work assignments for the day; however, there are times that an assignment changes during the day. There is no after fact documentation of the actual work assignments for the employees. The auditor recommends that daily reports be reviewed at the end of the day to ensure that they reflect accurate work assignments.

The third comment related to data input errors and the auditors recommends that the Public Works Department strengthen procedures related to payroll spreadsheets and reports that are used for monthly payroll adjustments.

Commissioner McGonagle informed the sub-committee that the Public Works Department recently hired a Financial Analyst, who works closely with Mr. Jerdee on the Utilities Division's budget and allocation of employee time. The Commissioner and Mr. Jerdee have taken measures to ensure that employees remain where they are assigned each day. A sample of a daily report is attached. In addition, the daily reports and spreadsheets are reviewed on a daily basis for accuracy. All activities on the daily sheet have codes and there is a breakdown of employees working in each division. The Public Works Department is using a management program to log activities of all employees. The Administration is currently looking at an asset management program for citywide use.

The Sub-committee requested that the Commissioner and Mr. Jerdee develop written policies and procedures for payroll by the fall and provide copies to the Comptroller and Committee Clerk.

Police Detail Billing Comment

The prior year's Management letter identified the need to integrate the police billing and collection system with the City's general ledger. The integration has not happened; therefore, the comment is repeated in this year's Management Letter. Currently four reports are created and sent to the Comptroller, who then adjusts the general ledger manually to reflect the police detail billing and collections data.

Police Executive Officer John Daly, Accounts Clerk Michelle Pompei, and Chief of Information Officer Joe Mulvey joined the sub-committee for the discussion of this comment. The police detail software program was written in house. Mr. Mulvey believes it is possible to bring the data from the program into the City's general ledger software via a bridge. There is money in the budget to develop the bridge; however, the IT Department is holding off on the bridge until upgrades to the general ledger software are complete. Mr. Mulvey expects to have a contract with a vendor for the bridge and that the bridge will be in place in one year.

The Committee requested that Mr. Mulvey provide a plan or an outline to implement the software bridge within the next year to the Comptroller and Committee Clerk by mid-September.

Personnel Policies and Procedures

The external auditor's comments relates to documenting policies and procedures for payroll administration. The auditor recommends that the Human Resources Department work to develop those policies and procedures. Interim Director of Human Resources Jeff Honig explained that the Department has outdated policies and procedures that need to be updated. There is currently nobody with the time or knowledge to create comprehensive payroll policies and procedures, as the Human Resources Department has seen a large amount of turnover in the past few years.

The City's payroll software is very complicated. There have been a number of errors in the payroll. For example, there are issues related to transferring employees between City

departments as well as issues with credit union deductions for new employees. In addition, there has been an influx of new employees and numerous complicated payroll changes due to union contract agreements. Human Resource employees are not sufficiently trained and procedures are not documented. The Human Resources Department needs to have controls in place to ensure accuracy in the City's payroll.

The Sub-committee suggested that Mr. Honig set up a webinar with the software vendor for additional training and information. The Committee requested that Mr. Honig work with the Payroll Clerk within the Human Resources Department to develop written policies and procedures over the next few months. Mr. Honig agreed that he will have written documentation in three months. It may make sense for the Administration to consider adding a Payroll Manager position in the Human Resources Department. Mr. Honig informed the Sub-committee that he is discussing that possibility with the Executive Office and the position may be included in the upcoming budget.

Mr. Honig will meet with Maureen Lemieux and David Wilkinson to determine how to respond to the Management Letter comment over the summer and report back to the sub-committee in the fall.

Planning & Development State and Federal Grant Compliance Comment

The auditors identified several compliance and internal control issues related to several federal and state grants managed by the Planning Department. The auditors recommend that the Planning Department's community development staff work with the Comptroller to develop written policies and procedures for all the major housing and urban development grant programs.

Grants Manager Danielle Bailey and Accounts Manager Mary Walsh joined the sub-committee for the discussion of this comment and recommendations. The Planning Department lost most of its institutional knowledge related to grant programs because of turnover in the Department. Written policies and procedures for a number of the grant programs have been in place for a number of years but there was no staff to follow the procedures and the department fell behind in meeting all of the grant requirements. The Planning Department has new staff that has been doing grant management training with the State. There are weekly meetings within the Department to ensure that all grant requirements are being met and the grants are being monitored.

It appears that the written policies and procedures for the grant programs are in place. The U.S. Department of Housing and Urban Development provided the attached letter stating that corrective action was implemented and Newton's process is generally reliable. The department will continue to look at updating and improving grant policies and procedures.

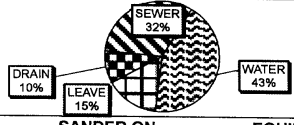
The sub-committee adjourned at 9:43 AM.

Respectfully submitted,
Tony Logalbo, Chair

CITY OF NEWTON DEPARTMENT OF PUBLIC WORKS UTILITIES DIVISION	TED JERDEE UTILITIES DIRECTOR MIKE OVASKA UTILITIES SUPERINTENDENT BOB SULLIVAN ASSISTANT SUPERINTENDENT UTILITIES LIVIO CENCE ASSISTANT SUPERINTENDENT UTILITIES	DATE: TUESDAY APRIL 12, 2016 WEATHER: RAIN WINDS: WEST 9 TO 14 MPH TEMP: HIGHS IN THE MID 50'S TIME: 7:00 AM-3:00 PM
---	--	---

ACTY	ROUTE	LOCATION	HRS	HRS	HRS	ADJ	EMPLOYEE	EQUIP	COMMENTS
		60 ELLIOT ST	8	8	8		M. LAFALUCE M. PARSONS C. COLANTONIO D. PLATI G. HERLIHY R. CABRAL	307	SR.UTILITIES CLERK UTILITIES CLERK UTILITIES CLERK BUILDING MAINTENANCE STOREKEEPER STOCKROOM
WL		REQUESTED LOCATIONS		8	8		S. HODGDON A. CARTER	309A	WATER EMERGENCY CALLS
BKFL		REQUESTED LOCATIONS		8	8		C. CASSIDY B. BERTRAND	304	BACKFLOW APPOINTMENTS
MTR		REQUESTED LOCATIONS		8	8		J. REILLY J. WHITE	322 308	METER APPOINTMENTS
WMN		REQUESTED LOCATIONS		8			P. WHELAN	315	WATER SAMPLES
WSL	73	22 BEECHER PL		8	8		T. McDONNELL A. FONTECCHIO B. MALO S.MAGAZU D. LEBLANC	309 357 325	LEAK IN STREET WO#84702 DIG SAFE# 20161503714
WSL		19 OWATONNA RD		8	8		S. YERARDI A. MacMILLAN M. BARRILE R. DAGOSTINO	310 326 376	PIPE SERVICE 50% WO#84461 DIG SAFE# 2016150
WMN	80 23	175 COMM AVE RIVERDALE AVE @ CALIFORNIA ST		8	8		R. SBORDONE J. FLEMING B. QUINN W. PARENT M. SANFORD	316 318 328	REPLACE GATE TOPS WO#S 84691, 84700 DIG SAFE# 2016150
		NORTHSIDE OF THE CITY	8	8	8		M. WHOOTEN K. WASHINGTON C. QUILES J. FORD	358 323	CLEAR TRASH GRATES
		NORTHSIDE OF THE CITY		8	8		D. McADAMS H. LANGEVIN	331	STREET FLOODS & ASSIST IN GRATES
		COMM AVE AREA	8	8			C. CASTO K. KILMAIN B. CONSERVA	353 112	CLEANING CATCH BASINS
		SOUTHSIDE OF THE CITY	8	8	8		J. RATTA J. MOTYKA G. GUARDASCIONE W. McKENZIE	319 362 330	CLEAR TRASH GRATES
		SOUTHSIDE OF THE CITY	8	8			P. CARRESI A. DECARO	314	STREET FLOODS & ASSIST IN GRATES
		REQUESTED LOCATIONS		8	8	ADH FRM	G. PORCENA T. MACHADO C. PETRIE	306 113	SEWER EMERGENCY CALLS

MANHOURS BY DIVISION	LEAVE	DRAIN	SEWER	WATER
TOTAL HOURS FOR WSD=	424			
TOTAL HOURS OF LEAVE=	64	40	136	184
HRS. AVAILABLE FOR WSD =	360			
WATER ON-CALL	HODGDON			
SEWER ON-CALL	WHOOTEN			



FLT. HOL.	SPECIAL LEAVE P. THEA R. MAZZARELLA SIF L. PELLEGRINI G. FARESE	VACATION J. O'NEIL A. MARINI	OTHER J. MELO W-COMP P. PANAGGIO DIF	SANDER ON 364 367 366	EQUIPMENT DOWN 313 DEALER/ENGINE 368 ELLIOT/BRAKES 317 ELLIOT ST/FRONT END
------------------	--	---	---	---------------------------------------	--

OT: 04/11/16
WATER: 12 KIPPY DR: S. YERARDI, A. MACMILLAN, W. PARENT, D. LEBLANC 1500-2000 1032 CENTRE ST(NEW SERVICE); T. MCDONNELL, A. FONTECCHIO, K. WASHINGTON 1500-1600
WATER: 2133 COMM AVE, 1276 BOYLSTON ST, 22 BEECHER PL, A. CARTER 1640-1910
SEWER: 22 BEECHER PL, 214 RIVER ST: M. WHOOTEN 1653-1856
DRAIN:



U.S. Department of Housing and Urban Development

BOSTON REGIONAL OFFICE
Office of Community Planning and Development
Thomas P. O'Neill, Jr. Federal Building
10 Causeway Street - Fifth Floor
Boston, Massachusetts 02222-1092

Fax (617) 565-5442

James Freas, Acting Director
Department of Planning & Development
City of Newton
1000 Commonwealth Ave
Newton, MA 02459-1449

JAN 12 2016

Dear Mr. Freas:

Subject: A-133 Audit Finding #2015-001
Community Development Block Grant

We have reviewed the City of Newton's audit finding #2015-001 for the fiscal year ended June 30, 2015 regarding noncompliance in the CDBG program: One of eleven employees tested was missing a timesheet for one of the pay periods. The timesheet in question is for a staff person who is no longer employed by the City.

The City of Newton has taken the corrective action recommended by the auditors. We understand that the City's process in place is generally reliable, and that City staff will be more vigilant with future timesheet collections. This finding is closed.

Please contact your CPD Representative, Cedric Kam at 617-994-8352, if you have any questions or concerns.

Yours truly,

A handwritten signature in black ink, appearing to read "Robert D. Shumeyko", with a large, sweeping flourish extending to the left.

Robert D. Shumeyko
Director

cc: Judith Menon, CD Programs Manager