



**Finance and Utilities Performance Audit  
Recommendation and Process Improvement Follow Up Report  
October 18<sup>th</sup>, 2021**

#	Process/Procedure	Recommendation	Update
1	Management of the Finance department is responsible for keeping the Council informed of the City's finances and responding to council inquiries.	Present the Financial Snapshot report on a monthly basis.	Finance has consistently reported financials to Council. A monthly snapshot is in development.
2	The City of Columbia's departmental policies are largely written into the Code of Ordinances, which is available online to the general public and is over 1,800 pages in length when printed.	Draft departmental policies and procedures into department-level manuals. Over the next one to three years, as departments complete documenting their internal policies and procedures, revise the Code of Ordinances so that the detailed procedures are no longer included.	The Finance Department has created several policies to address ordinance issues. Once these changes are discussed with Council, we will submit ordinance changes.
3	Capital projects occur in each of Columbia's five utilities: water, electric, solid waste, sewer, and storm water. Engineers are assigned to be the Project Manager of these capital projects. Capital projects have varying requirements based on the type of work performed, dollar amount of the project, use of contractors, and other factors.	Create a capital project procedure manual that includes each of the five utilities.	The first portion of the CIP process has been put in place by the Budget division, and was presented to the Council in July. A procedure manual will be created in fiscal year 22.
4	Accounts receivable batches are posted in MUNIS by the Treasury division. Two Accountants are responsible for reconciling cash on a daily basis and investigating variances as they occur. The cash reconciliation files are reviewed monthly by the Assistant Controller and Controller.	Structure the GL cash accounts to more closely mirror the City's bank account structure in an effort to make the cash reconciliation process more straightforward. Create a departmental policy where accounts receivable batches are posted in MUNIS by a certain time each week. At that time, Treasury should also communicate to the Cash Accountants about any unusual batches or variances noted.	The new banking contract is in place, and the Finance department has begun the process to address the account structure. Policies have been made to address how accounts receivable batches are posted in MUNIS.
5	The Treasurer, with oversight from the Assistant Finance Director, is responsible for monitoring the City's cash flow amongst its pooled cash accounts. The Treasurer initiates transfers of funds (i.e. from the operating bank account to the payroll bank account) to meet the City's financial obligations.	Create a mechanism that allows the Treasurer to monitor cash balances on a daily basis. Analyze miscellaneous cash receipts to understand whether these items can be invoiced, thereby creating a more predictable revenue stream and increasing the accuracy of cash forecasts.	The Treasurer currently monitors the cash balances on a daily basis. The PMO is developing a cash flow statement. Miscellaneous cash receipts are being pushed to be invoiced, Treasury and A/R are currently in talks.



**Finance and Utilities Performance Audit  
Recommendation and Process Improvement Follow Up Report  
October 18<sup>th</sup>, 2021**

#	Process/Procedure	Recommendation	Update
6	<p>Once the monthly reconciliations are complete and all necessary journal entries are booked, the Finance department closes the monthly financials in the MUNIS General Ledger (GL). The average closing date is approximately 3 weeks from month end for the months of March through August.</p>	<p>Work with MUNIS to understand whether the Finance department can close the first few months of the new fiscal year before the prior year audit adjustments are complete. Even if the months must be closed in MUNIS sequentially, establish a soft close schedule whereby the reconciliations and journal entries are recorded within 3 weeks of the end of the month. Over the next three years, create goals for Finance staff to gradually reduce the number of days it takes to close a month. See appendix 2 for an analysis of monthly journal entries for a selected month.</p>	<p>Staff contacted Munis and it is not possible to "close" the months before the previous fiscal year is closed in the system. Staff has created "soft close" schedules that reduce the time to close. Staff has establishing a year end cutoff procedure policy that established a faster processing of year end items throughout the city, and has cut down the timing for the year end close process.</p>
7	<p>Encumbrances are defined in the City's budget document as "Commitment for unperformed contracts for goods or services. Any amount of money committed and set aside, but not yet expended, for the purpose of a specific good or service". Each year purchase orders are reviewed to determine if they should be closed, or included in the next fiscal year's operating budget. If a partial or total amount of the PO is determined to be necessary for the next fiscal year, it is added to the budget as an encumbrance. These encumbrances are added on to the budget near the end of the annual budget process. They are not included in the Council's original budget approval process.</p>	<p>Include a review of encumbrances as part of the annual budget process. The Budget Office should conduct the first level of review as part of their overall budget review. City Council should review and approve prior year encumbrances that are added near the end of the annual budgeting process</p>	<p>The process for encumbrance review has been put in place. The Council will now approve all prior year encumbrances.</p> <p style="text-align: center;"><b>Resolved</b></p>



**Finance and Utilities Performance Audit  
Recommendation and Process Improvement Follow Up Report  
October 18<sup>th</sup>, 2021**

#	Process/Procedure	Recommendation	Update
8	The City Manager's Office annual budget includes one full-time internal auditor position. Internal audit offices function as a key control to monitor compliance with laws and regulations, and to ensure processes are operating efficiently. Internal audit can also act as preventive control as it may deter fraud.	Maintain a consistent internal audit function. Hire internally or outsource the function, or use a combination of the methods to ensure audits are performed on a regular basis and provide value added observations and recommendations.	The internal audit function has been outsourced for fiscal year 21, as well as fiscal year 22. Audits are currently ongoing, with a plan to look at this process again in fiscal year 23
9	The Finance department is responsible for opening and closing capital projects and recording when capital assets are placed in service or removed for all departments in the City, including Utilities. Project Engineers in Utilities provide written project updates in DOT Project. The Finance department has access to these project updates.	Ensure there is direct communication between Finance and Utilities personnel. Institute a regular meeting between the Senior Project Accountant and Project Managers for large capital projects. Introduce a similar approach for other departments, such as Parks & Recreation, with capital projects.	There is ongoing communications between Finance and all departments regarding all capital projects. Quarterly meetings have been set up with all departments that have capital projects. This process is also being defined in the new CIP process.
10	The City has contracted with WasteZero Inc., a contractor from North Carolina, to administer its voucher program for refuse and recycling bags to residents for the past 12 years. WasteZero's contracted process is to forward revenue from bags paid for over-the-counter at local stores, along with financial reporting, to the City. This process is required to occur monthly.	Reconcile the last 12 months of revenue from and payments to WasteZero. Determine whether the Contractor performed its obligations. Assign a responsible person at the City to monitor reporting and incoming payments each month to make sure they are in compliance, appear reasonable, and are recorded correctly in the general ledger.	The WasteZero revenue and payments have been reconciled, and are kept current on a monthly basis. An accountant has been assigned to this account to insure compliance of contracted obligations.  <b>Resolved</b>



**Finance and Utilities Performance Audit  
Recommendation and Process Improvement Follow Up Report  
October 18<sup>th</sup>, 2021**

#	Observation	Suggested Improvement	Update
1	In 2018, the City discovered two funds designated as restricted cash totaling approximately \$2 million and \$2.9 million, respectively. After an internal investigation, management from Finance and Utilities determined the funds should have been moved to unrestricted cash, but the movement had not taken place due to employee turnover. Management did not disclose the movement of money from restricted cash to unrestricted cash on a timely basis because it did not meet the requirement for disclosure of transfers (Article V, Section 44) since the funds were not appropriated.	Although management did not appear to be obligated by City Charter to disclose the movement of money from restricted cash to unrestricted cash, given the high dollar amount and uniqueness of the circumstances, management should have proactively informed City Council of the situation at the time the movement of funds occurred.	Staff will inform Council of the movement of large sums of funding from restricted to unrestricted status.  <b>Resolved</b>
2	Time sheets for hourly employees are still paper-based. Additionally, some internal labor is not charged to projects in the Utilities department.	Implement an electronic timekeeping system for all City employees. As part of the implementation, explore the ability to implement project codes that employees can use as they record their time electronically, so that labor hours can be charged to projects.	The ExecuTime timekeeping project is now underway. The planned go live is scheduled for February 2022, and will impact around 350 exempt employees in IT and Finance.
3	The Utilities department performs maintenance of its existing infrastructure throughout the year. The Utilities departments also perform capital improvement projects, which must adhere to a "public improvement" process. Public improvements require additional procedures such as a public input process and Council approval, which can lead to delays in projects. Some improvements may be minor (i.e. replacing a broken sewer pipe with a slightly larger pipe), but the public improvement ordinances do not allow for minor improvements to be considered maintenance.	Consider adding a de minimis threshold for public improvements whereby the public improvement threshold does not need to be followed. This will allow the Utilities department to be able to implement minor improvements were deemed necessary, while still being held accountable to normal budgetary conditions.  Additionally, create guidelines to assist with Utilities' determination of what is maintenance versus what is a public improvement. The guidelines should make the determination more clear and require input from legal less frequently.	Staff has developed internal guidelines for maintenance versus public improvement. This process will be further defined in the new CIP process.



**Finance and Utilities Performance Audit  
Recommendation and Process Improvement Follow Up Report  
October 18<sup>th</sup>, 2021**

#	Observation	Suggested Improvement	Update
4	The City may need to replace aging infrastructure over the next five to 15 years. Although the reasons for this may be clear to internal City personnel, the City Council may not fully understand the need for the multiple capital projects performed by the City.	Provide a workshop to City Council members that explains, from a strategic level, the reasons for the construction projects planned over the next fifteen years. Include in the presentation the milestones and metrics that project managers use to ensure projects are accomplished on time and on budget. For the next two years provide a quarterly strategic update on Capital projects.	Staff is planning on a pre-Council session to discuss upcoming and future capital projects. From that discussion a quarterly update will be produced moving forward.
5	The purchasing division of the Finance department has a policy and procedure manual that was recently updated. The manual contains important information, but it is difficult to navigate because of its length (119 pages) and does not include a table of contents or index.	Create a quick reference guide that is one or two pages and contains the most commonly referenced purchasing policies at the City. Print, laminate, and distribute the guide to buyers and staff who requisition goods and services throughout the City. Also, add a table of contents and/or index to the purchasing policy and procedure manual. Ensure the guide and manual are updated at least annually.	The purchasing quick reference guide has been completed and distributed to staff electronically. Physical copies are available upon request. Staff is currently working on the table of contents and indexing of the full policy.
6	Accountants in the Finance department manually export payment batches from the utility billing system (CIS Infinity) and manually import them to the general ledger (MUNIS). MUNIS has an automated solution that has not been implemented at the City, so the process happens manually. This process previously took place daily, but now occurs weekly due to adjustments in staffing levels.	Contact MUNIS support to understand whether the export from CIS and import into MUNIS can be done automatically. Once implemented, ensure payment batches are posted to the general ledger daily.	Munis does not allow for automatic imports. The current process is the only option at this point in time.