

## City Treasurer’s Office Response to Horsey Buckner & Heffler’s

### Final Report

In August 2017, the City Treasurer’s Office (CTO) discovered an unreconciled balance in the Consolidated Cash account. After making this discovery, the City engaged a nationally recognized accounting firm, Horsey Buckner & Heffler (HBH) to identify the causes of the discrepancy and to support staff in the reconciliation process for the consolidated cash account. HBH has also worked with the City to develop recommendations to strengthen internal controls and operating efficiencies within the CTO. Additionally, in June 2018, Mayor Kenney appointed a Reconciliation Task Force, chaired by City Treasurer Rasheia Johnson and former City Controller Jonathan Saidel, to review the work of the CTO and HBH.

In HBH’s final report to the CTO and the Reconciliation Task Force, HBH identified areas in need of improvement and their proposed recommendations. Those recommendations will help ensure that the City does not face another prolonged period during which reconciliations aren’t completed. Among the recommendations that either have been implemented or will be implemented are the following:

1. Increasing staffing in the City Treasurer’s Office
2. Cross-trained employees in the City Treasurer’s Office
3. Developing policies and procedures manual to detail all of the City Treasurer’s Office’s functions.
4. Implementing a treasury management system.

The rest of this response will provide more detail on HBH’s recommendations and the City’s response to those recommendations.

Recommendation	City Response
<b>1. Office Process/Policy Enhancements</b>	
Implement time limits for reconciling items that remain on bank account reconciliations for an extended period	CTO will incorporate a time limit policy into the formal policies and procedures manual. The CTO, in conjunction with the central Accounting division, will determine an appropriate time period as a part of an internal controls policy.
Implement a formal process to record and review journal entries	CTO will incorporate a list of standardized journal entries into the formal policies and procedures manual. In addition to the manual, the CTO has implemented a series of checklist procedures to ensure proper journal entries. For example, the accounting supervisor sends an itemized list of all journal entries that need to be booked to the accountant responsible for journal entries, which serves as a temporary “checklist.” In addition to those entries, the CTO also requires that the accountant responsible for journal entries prepare a weekly checklist of all other journal entries required to be posted. Additionally, the CTO is currently training an additional accountant on the journal entry process as part of its cross-training initiative. The accountant being trained on the journal entry process will begin to post journal entries in late January.
Give authorization to more than one CTO accountant to post journal entries	

<b>2. Identify &amp; Analyze Activities Outside of the City Treasury Office</b>	
Strengthen communication between CTO and other interrelated City departments	CTO has already begun implementing this recommendation. Prior to hiring the outside accounting firm, the CTO conducted meetings with interrelated departments, which created a more efficient reconciliation process, will minimize reconciling times and ensure timely awareness and analysis of transactions entered into by departments other than the CTO. In addition, the CTO and Accounting are working with the Department of Public Health (DPH) to develop a revised process for handling its revenue receipts. The new process will allow the City to reconcile and report on DPH revenues with full transparency and allow easy identification of reconciling issues in the consolidated cash account.
<b>3. Update, Communicate, and Monitor the Records Retention Policy</b>	
Develop /Update the CTO's Record Retention Policy	CTO currently has a record retention policy that we are working with the Records Department to update. All completed bank reconciliations are kept in electronic format on the server and hard copies of the reconciliations are file in the CTO. With the on boarding of the Treasury Management System all reconciliations will be generated and stored within the TMS.
<b>4. Develop a Policies and Procedures Manual</b>	
Develop a comprehensive policy and procedures manual	<p>The CTO will have a formal policies and procedures manual implemented by the end of FY19. Currently, the CTO maintains job descriptions/responsibilities and work instructions by position, which are saved on a central shared drive accessible to all CTO employees. In addition, certain accountants maintain their own work instructions, which are also saved centrally. The CTO agrees that it is essential to have a formal policies and procedures manual to both (a) ensure uniformity in procedures department-wide, and (b) ensure continuity and smooth transition of duties and responsibilities across multiple administrations and when there is employee turnover. Below is an example of a process that will be memorialized in CTO's standard operating procedures.</p> <ul style="list-style-type: none"> <li>• An accountant completes a monthly bank reconciliation, the file is turned over to the accounting manager to complete a first level review.</li> <li>• Upon the completion of the first level review the bank reconciliation is given to the Deputy City Treasurer for a final review and sign-off.</li> </ul>
<b>5. CTO Personnel Management</b>	
Cross-train staff	CTO already cross-trains employees for the various accounting responsibilities to ensure that leave usage or job vacancies do not result in a delay or stoppage in work product.

Fill vacant Deputy Treasurer for Cash Management position	CTO has already added staff and will continue to add additional employees. A new Deputy Treasurer for Cash Management, who is experienced in both treasury and cash management, will begin this month. This role is responsible for the oversight of the entire accounting process in the CTO. In addition, CTO is hiring an additional Accounting Manager or equivalent. Prior to receiving this recommendation, CTO had already added two positions, an Accountant and Accounting Supervisor. The City Treasurer, in conjunction with the Finance Director, is committed to ensuring that the CTO is adequately staffed with accounting personnel to ensure the quality of work, and that the work is completed on time.
Add an Accounting Manager, or equivalent, to be responsible for ensuring that all 70+ bank account reconciliations are reviewed timely	
Maintain a minimum number of accounting professionals to ensure that the volume of work is completed timely	
<b>6.Review Functions of Bank Accounts</b>	
Periodic review of all bank accounts	The CTO will review accounts on a bi-annual basis. The CTO is currently doing an internal audit of all of the City's bank accounts in preparation for this spring's implementation of a Treasury Management System. Once the review is completed, CTO will work with Accounting and other City departments as necessary to close or consolidate accounts.