

**Improve Controls over CEDO Special Revenue Fund Activities
(Significant Deficiency)**

Currently the Assistant CEDO Finance Director is responsible for collecting loan repayments, updating loan repayment schedules, and making deposits to the bank. This results in a lack of segregation of duties, increasing the risk of errors or irregularities occurring and going undetected.

We also noted that the Department issues manual checks to pay vendors and to reimburse the City. These manual disbursements bypass the City's normal vendor AP process and typically are not posted to the CEDO general ledger until the subsequent month. Similarly, we noted that certain loan repayment receipts are not reported in the CEDO general ledger until the subsequent month. These situations weaken controls and oversight over CEDO activities, and results in inaccurate general ledger records.

We also noted that the Department does not record receivable activity in the general ledger until year-end, and therefore does not perform regular interim reconciling of receivable schedules to the general ledger.

We recommend the City (1) reevaluate the job responsibilities of the Assistant Finance Director to assure an adequate segregation of duties exists, (2) discontinue the use of manual checks, (3) post all receipts and disbursements in the general ledger immediately, (4) record receivable activity in general ledger throughout the year, and (5) perform regular monthly reconciliations of general ledger receivable activity of general ledger receivable activity. This will improve controls over CEDO activity and will improve the accuracy of general ledger records.

We also recommend the CEDO fund chart of accounts segregate "loans received in advance" from "deferred revenue", and discontinue the tracking of loan allowances in a separate fund 3001, but instead track with the applicable general ledger receivable accounts. This will simplify the accounting and reconciling of general ledger receivable and corresponding deferred revenue accounts.

City's Response:

Deposits are made to the bank by either the Assistant Director for Finance or the Financial Assistant in CEDO. Bank statements are reconciled monthly by the Financial Assistant and reviewed by the Assistant Director for Finance. Thus, two staff interact and address this deficiency.

CEDO maintains a special procurement system for the HOME and CDBG programs, a federal requirement. This system is the HUD Integrated Disbursement & Information System (IDIS). The Assistant Director for Finance is registered with the system and is identified as the person who can request and withdraw HUD funds. IDIS restricts access by federal rule. The funds are wired to CEDO's various bank accounts, and a manual check is prepared to be deposited to cover any vendor payments or transfers. We will explore the new accounting system and its ability to process automated checks from multiple bank accounts. All receipts are deposited and recorded as revenue when received.

An accounts receivable tracking spreadsheet is maintained and reconciled throughout the year. A journal entry is prepared for accounts receivable general ledger balances at year-end.

In the future, the City will explore the feasibility of managing and reconciling the Special Revenue Fund activities, deposits, and check issuance and of the CEDO Department through the Clerk/Treasurer's Office. If this proves to not be practical or allowable under Federal regulation, then the Assistant Chief Administrative Officer for Finance will conduct an annual internal audit of the financial activities of the Director and Assistant Director to ensure to the appropriateness of all transactions.

Improve Segregation of Duties for Utility Activity and Documented Oversight

The Utility Coordinator of the City's Water, Sewer, and Wastewater funds currently is involved in customer billings, collections, and general ledger postings. Also, the documentation to support daily receipt cash outs does not include signatures of all staff involved in the counting, reconciling, and oversight process. These situations increase the risk of errors or irregularities occurring and going undetected.

We recommend the City reevaluate the job responsibilities of the Utility Coordinator to assure an adequate segregation of duties exists. We also

