

Management Response to FY 2005-06 External Auditors' Briefing

Finance, Audit and Accountability Committee

January 28, 2008



Purpose

- Provide background information
- Update the Committee on steps taken by the City to address the auditors' findings

Background

- City staff and external auditors discovered accounting errors in prior years financial reports while preparing the Fiscal Year 2004-05 financials
- Financial reports for FY 2004-05 were not issued until November 2006 due to additional audit work required as a result of the errors; Single Audit Reports were issued January 2007
- Changes could not be implemented to improve the FY 2005-06 audit since the FY 2004-05 report was issued after the end of FY 2005-06
- In October 2007, staff received the FY 2005-06 Single Audit Reports
- A memo dated October 19, 2007 was distributed to the City Council regarding the FY 2005-06 findings and statuses (copy attached – see Appendix)

Status Update on Financial Reporting

- Training sessions were conducted with department staff in the areas of:
 - Accounting for capital assets;
 - Inventory processing; and
 - Revenue recognition and accounts receivable
 - Cash receipts training, limited to specific departments with city-wide training planned for later in the year
 - Additional 16 hours of city-wide training to be provided by KPMG is scheduled for April 2008
- City staff identified improvements to reduce errors and improve efficiencies in the grants process utilizing the Zoom Team approach
- Financial reporting controls have been improved to verify the accuracy and completeness of information
- Filled vacant accountant position to work on enterprise funds
- A grants accountant position was added to Community Development Block Grants; the position is currently posted

Status Update on Single Audit Findings

- Procedures to draw down HOME grant funds from HUD have been revised. Draw downs of funds now occur no less than 3 days after the payment date on the check.
- A reconciliation of HOME program income has been completed and submitted to HUD for review. All HOME program income has been receipted into HUD's Integrated Disbursement Information System (IDIS) and will be receipted on a monthly basis going forward. Program income will be utilized to reimburse expenses prior to drawing down additional HOME entitlement funds per federal regulations.
- The Office of Financial Services is currently in the process of hiring a grants compliance coordinator. This position will assist in ensuring that the Consolidated Plan grants are administered in compliance with all applicable regulations, including the Davis Bacon Act.

Appendix