

City of Petersburg Emergency Financial & Operational Restructuring

Presentation to Petersburg City Council

The Robert Bobb Group, LLC

December 13, 2016

Agenda

- Background & Reminder
- **RBG Actions and Progress Report**
 1. RBG Helped DSS receive \$625K in state reimbursement
 2. RBG Will Fix the 10% Pay Cut
 3. City will receive critical public safety equipment (16 new patrol cars, Ambulance & Fire Trucks)
 4. Dogwood Trace Will Stay Open – Economic Engine for the City
 5. Museum Opening on 12/1/16
 6. Sell Municipal Assets to Create Multiple Revenue Streams
- **RBG Will Now Focus on Long Term Stability**
 - Approach to Long Term Fiscal Stability
 - How We Will Utilize the \$6.5M Revenue Anticipation Note
 - Tackle Key Financial Operating Risks or See the Same Problems Again
- Transparency

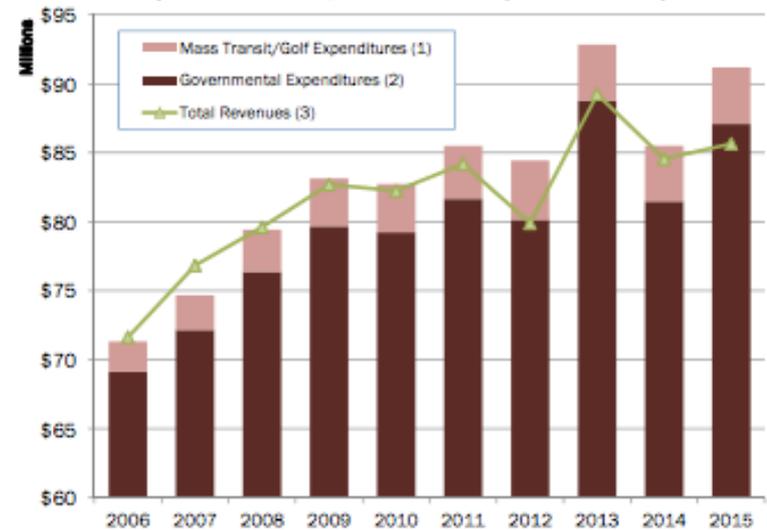
Background & Reminder

Governmental, Mass Transit and Golf Funds

Fiscal Year	Expenditures Mass Transit/Golf (1)	Expenditures Governmental (2)	Total Revenues (3)	Surplus (Deficit)
2006	2,207,103	69,117,310	71,635,381	310,968
2007	2,500,457	72,158,936	76,829,525	2,170,132
2008	3,049,122	76,375,348	79,596,926	172,456
2009	3,460,204	79,668,879	82,692,844	(436,239)
2010	3,505,975	79,214,494	82,239,230	(481,239)
2011	3,834,946	81,657,871	84,186,793	(1,306,024)
2012	4,299,727	80,140,067	79,878,828	(4,560,966)
2013	4,032,005	88,798,157	89,238,273	(3,591,889)
2014	4,025,575	81,483,802	84,553,700	(955,677)
2015	4,107,319	87,076,939	85,653,894	(5,530,364)

The City began its deficit in 2009 and continued it to the current fiscal year

Revenues vs Expenditures (Governmental, Mass Transit/Golf Funds)



- (1) Net of Depreciation
- (2) Excludes Capital Projects Fund
- (3) Includes Net Other Financing Sources (Uses) for the General and Non-Major Governmental Funds and Net Non-Operating Revenue for the Mass Transit and Golf Funds.

Source: City CAFRs

Complete

In Progress

5 Month Plan

#1 Priority for Phase 1 was a laser focus on the short term fiscal crisis. Phases 2 & 3 will focus on long term financial stability.

Financial Emergency Turnaround – Key Activities

Phase 1: 10/25/16 – 12/2/16

Phase 2: 12/5/16 – 1/27/16

Phase 3: 1/30/16 – 3/31/16

Strategic Theme 1: Short Term Financing

Strategic Theme 2: Long Term Financing and Fiscal Plan

Strategic Theme 3: Technology, Data and Process Platform

1. Finalize list of Outstanding Invoices from FY16 and Prior.
2. Secure Revenue Anticipation Note (RAN).
3. Pay current FY17 obligations with RAN.
4. Develop a long-term financing strategy to deal with the deficit.
5. Validate the FY17 budget, audit cell phone bills and utility bills.
6. Conduct benefits eligibility audit.
7. Conduct document reviews to build on previous work: Report by VA Secretary of Finance, Aug 3, 2016, PFM Report.
8. Identify Capital Funds that can be deferred.
9. Develop Internal/External Communications Plan.
10. Prioritize workforce compensation issues and review salary survey.
11. Appropriate, by Council action, Amended FY 17 budget.

1. Determine the revenue cycle and what billing cycles should change to help cash flows, including state-shared revenues.
2. Provide a budget to actual assessment of FY 17 to Council.
3. Determine critical positions to hire.
4. Issue RFP for the City's CAFR/Auditing responsibilities.
5. Review the city's economic development plan and individual agency plans.
6. Conduct organizational assessment, and identify resource gaps.
7. Conduct business process reviews for financial operations, create standard operating procedures & policies.
8. Start recruiting critical hires.
9. Conduct technology assessment and define a robust and scalable platform.
10. Map process flows for Accounts Payable.
11. Publish a 2018 Budget Calendar that includes CIP.

1. Provide recommendations for upgraded systems/procedures to track cash.
2. Implement long-term financing strategy to deal with the deficit.
3. Make recommendations for process improvement, roles & responsibilities.
4. Establish a long term financial operating platform based on Phase 2's technology assessment.
5. Fill key positions and make recommendations for key positions (e.g., City Manager).
6. Identify additional cost savings and lines of revenue.
7. Implement technologies that enhance financial transparency.
8. Recommend a draft FY18 capital and operating budget.
9. Conduct mid year FY17 budget review
10. Hand off knowledge repository to city & submit our Exit Plan.

#1. RBG Helped DSS receive \$625K

▪ Background:

- Council cut the Department of Social Services (DSS) budget by \$89K without accounting for DSS formula based funding
- DSS receives 84.5% reimbursement from the State

▪ Impact:

- Due to DSS formula based funding, DSS ended up with a ***\$625K reduction*** in state reimbursement as a result of cutting ***just \$89K***
- ***Underestimating actual costs leads to state under billing which results in lower than needed state payment***

▪ RBG Solution:

- RBG successfully worked with DSS and the State to get reimbursement for the \$625K
- RBG is developing financial controls so that finance leaders can identify **any impacts to state reimbursements *before* Council budgetary action**

Note: Child Services Agency Funding faces a similar issue

VA state mandate requires special allocations for special needs children. The City is responsible for identifying true costs of special needs, then informing state.

#1. Budget Cut Impact to DSS (1 of 2)

- **IMPACT OF THE FY 2016 REDUCED SPENDING:**

- **Petersburg Fatherhood Initiative eliminated**

- Enhances personal responsibility, safety and cooperative parenting, by promoting the importance of father involvement, and encouraging the development of healthy families
- Family Services Specialist assigned to this program was re-deployed to meet vacancies in Foster Care

- **Safe Sleep Campaign reduced**

- This program educates and brings awareness to parents and caregivers on the basics of a safe sleep environment, to reduce the number of infant deaths due to unsafe sleep practices.

- **SMART START Program eliminated**

- This program works to reduce chronic absenteeism in K – 3 grades at A. P. Hill Elementary School. Family Services Specialist assigned to this program was re-deployed to meet vacancies in Child Welfare.

- **No Timely Processing of Benefits**

- as of November 15, 2016, the agency currently had 172 overdue Medicaid Applications, and 1,277 overdue Medicaid Renewals.

#1. Budget Cut Impact to DSS (2 of 2)

- **If funded at the appropriate levels, DSS would do the following:**
 - Reinststate the **Fatherhood Initiative, Safe Sleep and Smart Start Programs.**
 - Hire **additional Family Services Specialists in Foster Care** to ensure compliance with monthly visits to children in our custody.
 - Hire **additional Family Services Specialists for Child Protective Services (CPS).**
 - Hire **adequate Benefit Program Specialists** to determine eligibility for Medicaid, Supplemental Nutritional Assistance Program (SNAP), Energy Assistance, and Temporary Assistance for Needy Families.
 - **Repair DSS Vehicles:** employees are using their personal vehicles due to needed repairs on city vehicles.

#2. RBG Will Fix the 10% Pay Cut

RBG is focused on building a path to restore pay cuts

- **Background:**

- The City completed a Compensation Analysis in December 2015 and provided pay increases in February 2016 so employees can be paid at a market minimum
- Rather than evaluate other financial remedies, the City cut positions (even state and grant funded).
- Then, the City cut pay in September 2016 starting with the 9/9/16 paycheck

- **Impact:**

- 641 employees as of the 12/2 Payroll
- 6 Grant Funded positions were cut that should not have been
- Lost Knowledge: departure of best and brightest who keep the City running strong
- 10% pay cut has hurt employee morale

- **RBG Goal: Restore Pay No Later Than July 1, 2017**

- Calculate cost to restore all impacted workers at once or phased approached starting with patrolmen and firefighters
- 2nd Budget Amendment in January 2017 will include a path to restoring pay cuts; ensure FY18 compensation is market competitive with our neighbors
- Prioritize police and fire departments, validate need for every position, reorganize departments to match leading practices
- Restore pay for positions funded by state or grants

#3. New Public Safety Vehicles

- **Background:**

- As part of our priority focus on Public Safety, RBG recognized new police vehicles were needed and took action to evaluate best pricing for the City
- RBG also recognized new fire equipment and ambulances are needed

- **Impact:**

- RBG negotiated a deal for 16 new Police Cars by leasing at \$17K per month
- RBG negotiated a deal for new fire trucks and ambulances

- **RBG Next Steps:**

- RBG will work with Public Safety departments to identify critical needs and prioritize how we give them what they need

#4. Dogwood Trace Will Stay Open

- **Background:**

- Dogwood Trace provided 20,000 rounds of golf last year and pays for its own operating costs
- City youth under age 18 play for free
- RBG recognized keeping Dogwood Trace Open lets the State and surrounding region know Petersburg is “Open for Business”

- **Impact:**

- RBG worked with Dogwood Trace to stabilize their financial operations

- **RBG Next Steps:**

- RBG will work with Dogwood Trace management to ensure they are on a stable financial operating plan for their capital costs

#5. Museum Opening on 12/1

- **Background:**
 - City Museums are significant to Petersburg's Tourism industry
 - RBG recognized keeping City Museums open in time for the Holidays improves morale

- **Impact:**
 - RBG worked with Council and Museum leaders to implement a plan to reopen the Museums in time for the Holidays

- **RBG Next Steps:**
 - RBG will continue to work with Council and Museum leaders to ensure a long term plan to keep the Museums open

#6. Sale of City Assets

RBG is focused on generating cash for the City in the short term

Auction Unused City Assets

- The City has unused cars, ambulances, fire trucks and equipment
- Work with City Schools to sell off unused equipment
- Hire an auctioneer and hold a physical and virtual auction

Sell Unused City Real Estate

- Inventory all City owned properties marketable for sale
- Work with area brokers
- Create a real estate marketplace
- List and Publish all Real Estate Assets by February 15, 2017

Any Unused City Asset is now for sale!

Example: Unused City Vehicle



Source: Petersburg Bureau of Police, November 2016.

#6. Water and Wastewater Utility Systems – Unsolicited Proposal under PPEA

RBG considers the sale of the City's water and wastewater utility systems to support critical maintenance and build a revenue stream

- Under the Public-Private Educational Facilities Infrastructure Act of 2002 (PPEA), the City can consider the sale of its water and wastewater systems
- On January 8, 2008, the City adopted PPEA guidelines
- RBG proposes action by Council to kick off a competitive bid process to evaluate proposals
- Transparency to the Public:
 - If City agrees to proceed, no later than 12/16, City will post notice of its acceptance of the Proposal in a public area; publish the same notice in the media, and publish Volume I of the proposal online

We have approximately ~13,000 water customers. This is an asset that the City cannot maintain or manage. There is no infrastructure master plan and no funds to remedy in an emergency. We face twice the national average of leaks per the City Engineer. In a fiscal crisis, every asset is for sale.

Note: This is only a Green Light to kick off a competitive bid process – it does not commit the City to a binding agreement

Action Needed from Council

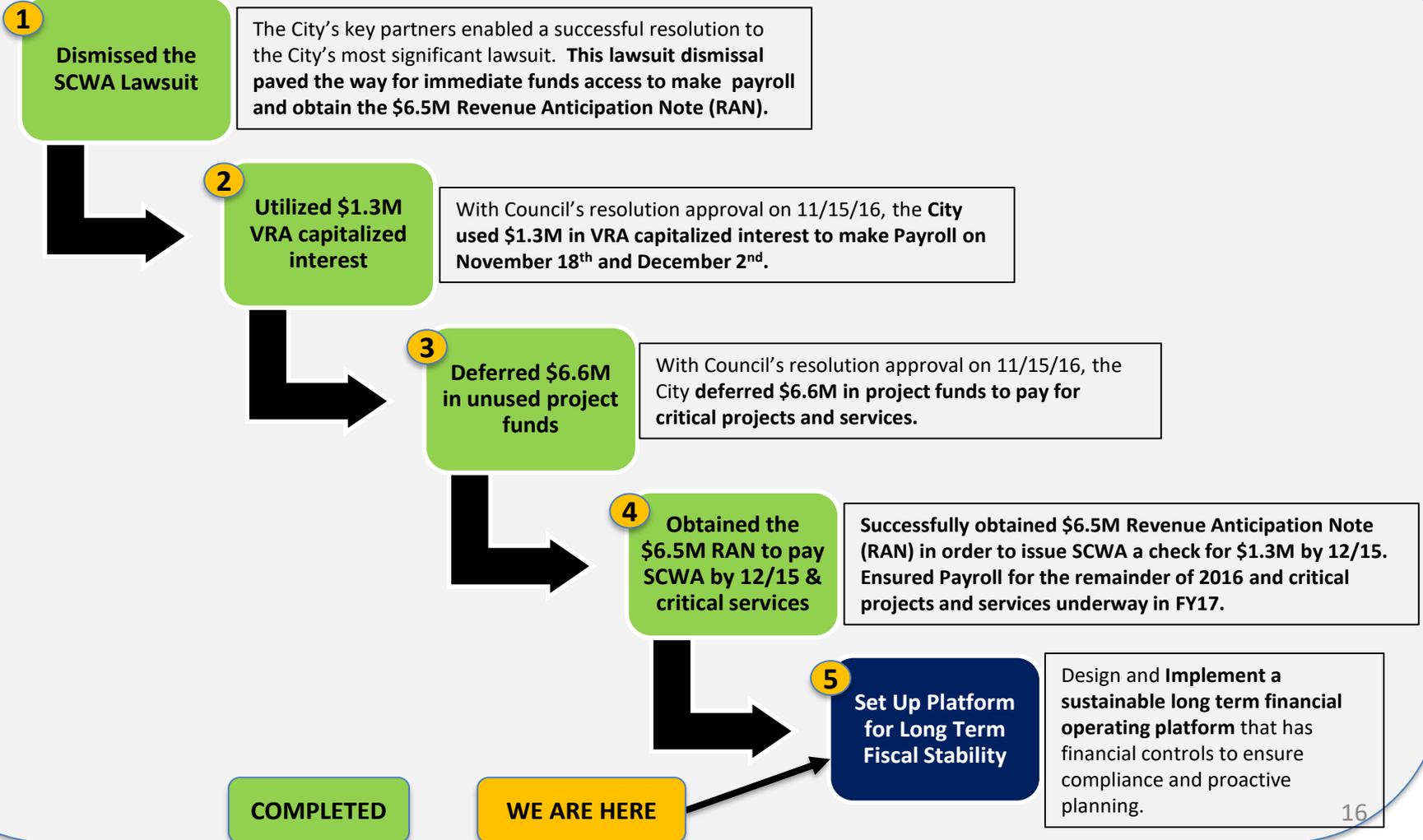
Resolution: Request Council to approve the review and acceptance for public competition and competing proposals to the unsolicited proposal received from Aqua Virginia, Inc for the viability of the Water and Wastewater systems privatization.

- Under the Public-Private Educational Facilities Infrastructure Act of 2002 (PPEA), the City can consider the sale of its water and wastewater utility system
- The City can support aging infrastructure, create a cash balance, and ensure long term revenue stream through this sale
- The sale builds the City's cash balance to pay down the \$18M deficit and set aside funds to pay off the \$6.5M RAN due October 2017

Without Council Action to agree to a water proposal review process, RBG will not proceed with a competitive bid process.

Short Term Before Long Term

Short Term Fiscal Stability – Sequence of Activities



RBG Plan for the \$6.5M RAN

Utilize the \$6.5M RAN to make Payroll and pay for Critical Projects

- The City obtained the **\$6.5M** Revenue Anticipation Note (RAN)
- We can now ensure Payroll for remainder 2016
- We can now pay for critical services such as:
 - **Emergency communication system**
 - **Critical maintenance and utility bills**
 - **VRS payments for line of duty pay**
 - **Federal and State funded services that have not been paid for**
- Note: In January 2017, we will conduct a budget to actuals analysis on the current budget to determine if any budget revision should be made

\$6.5M Only Provides Short Term Liquidity – it is not a long term solution!

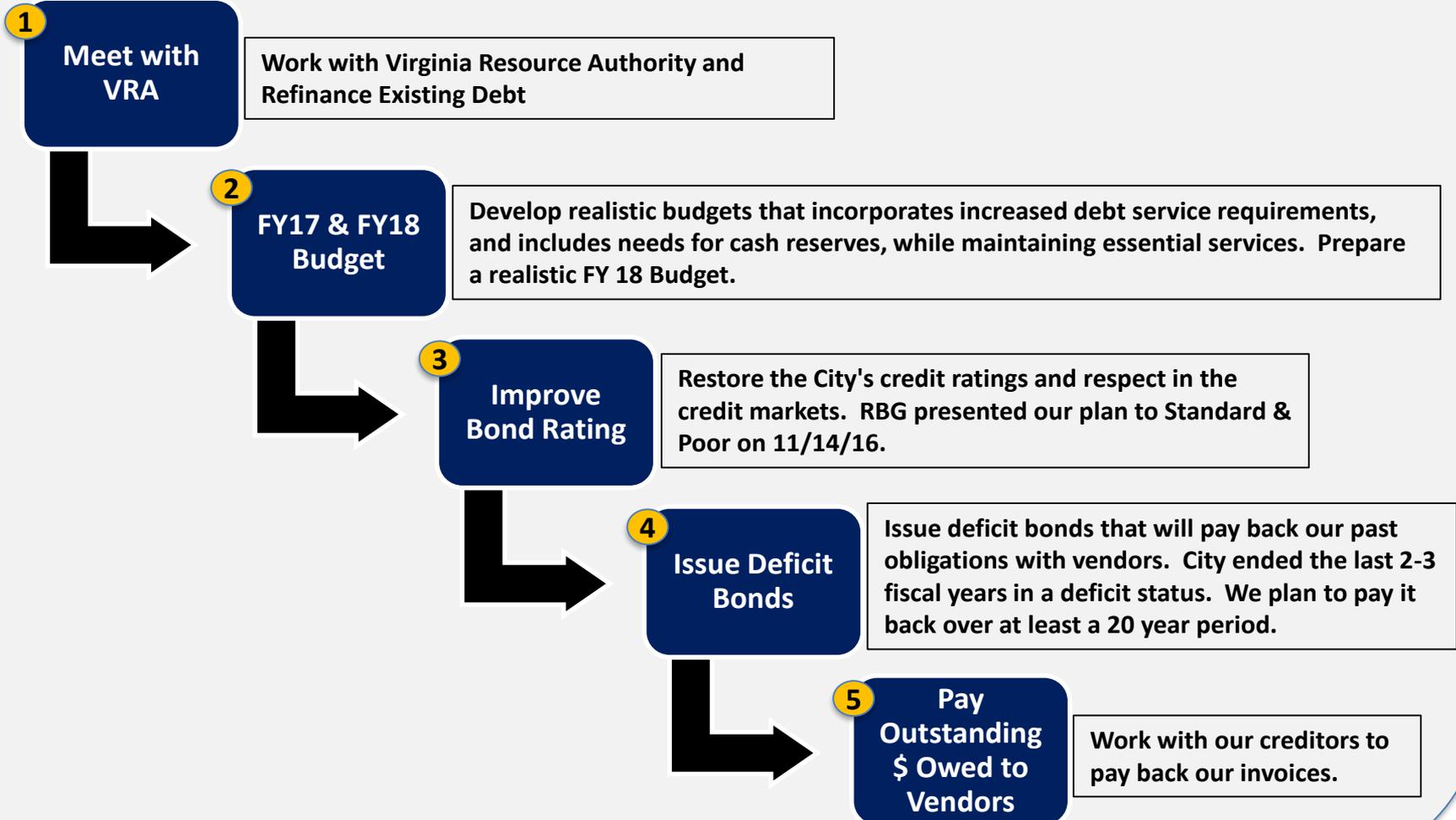
Financial Overview

- The \$6.5M Revenue Anticipation Note (RAN) only added cash – did not add funds to the City's budget.
- The City still owes approximately \$20M+ to the vendor community.
- The City cannot afford to repay outstanding vendor invoices with current year budgeted revenues.

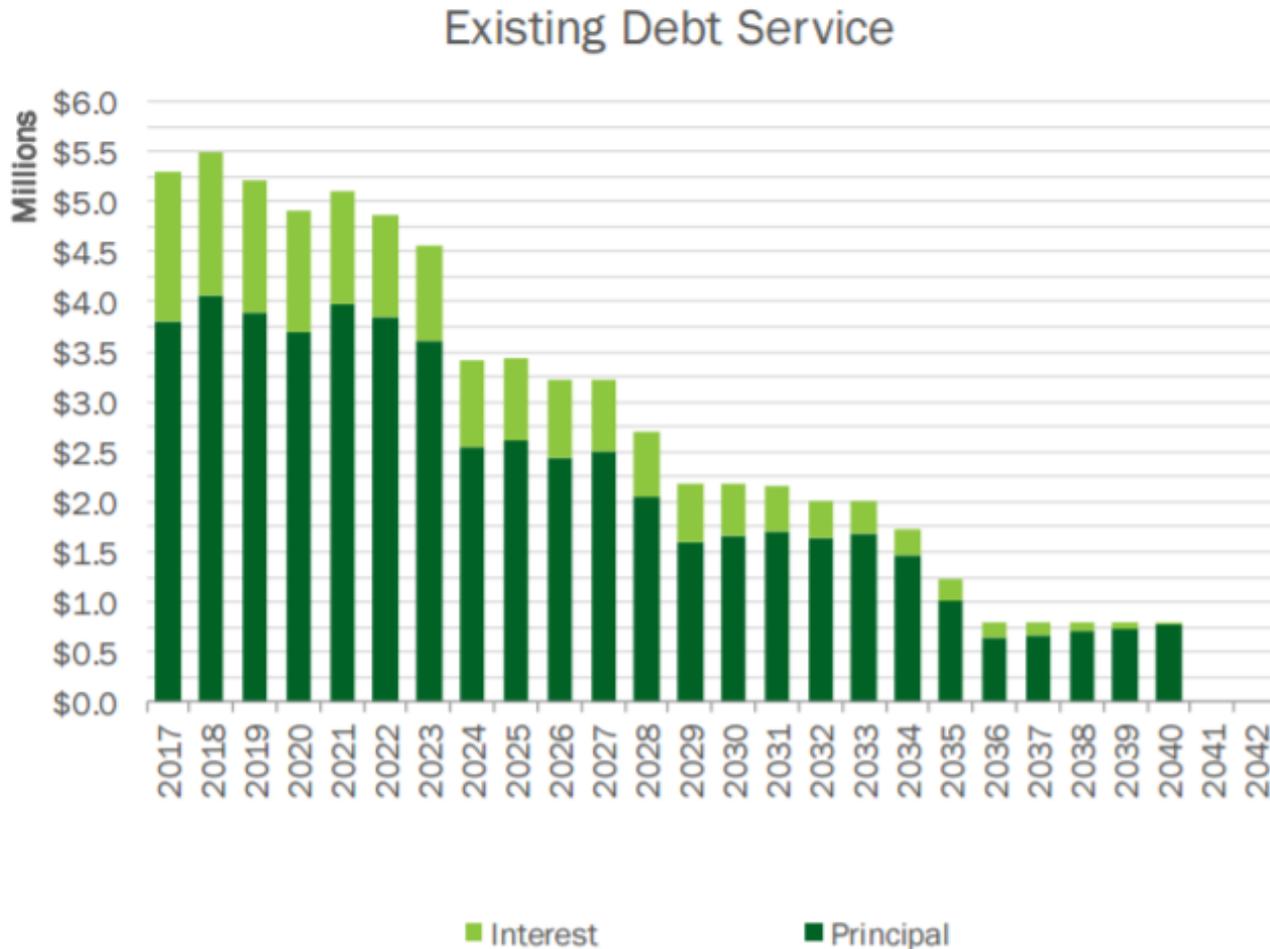
We will review our plan as a sequence of activities in the next slide.

Long Term Financial Restructuring

Sequence of Activities



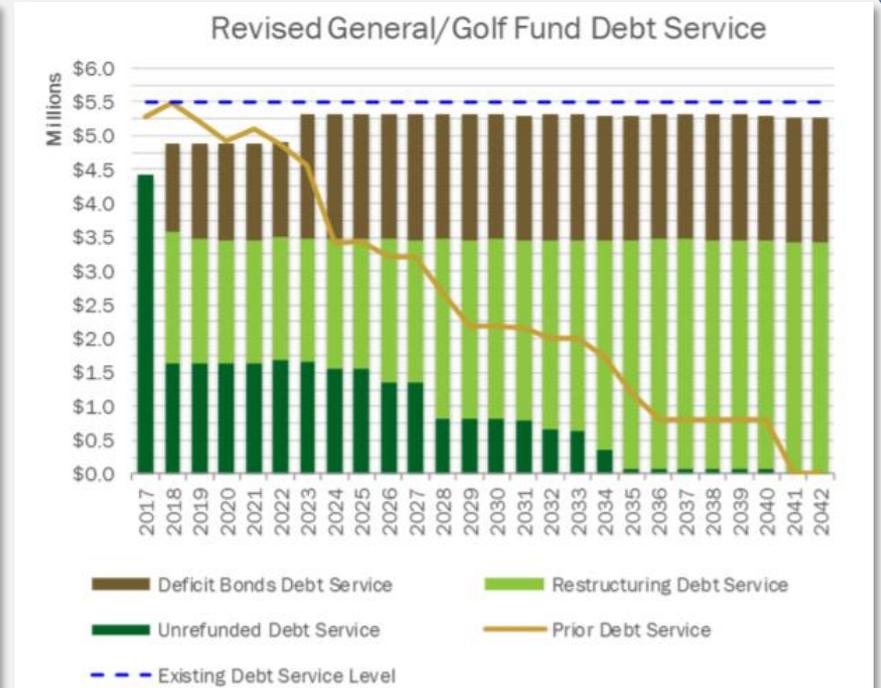
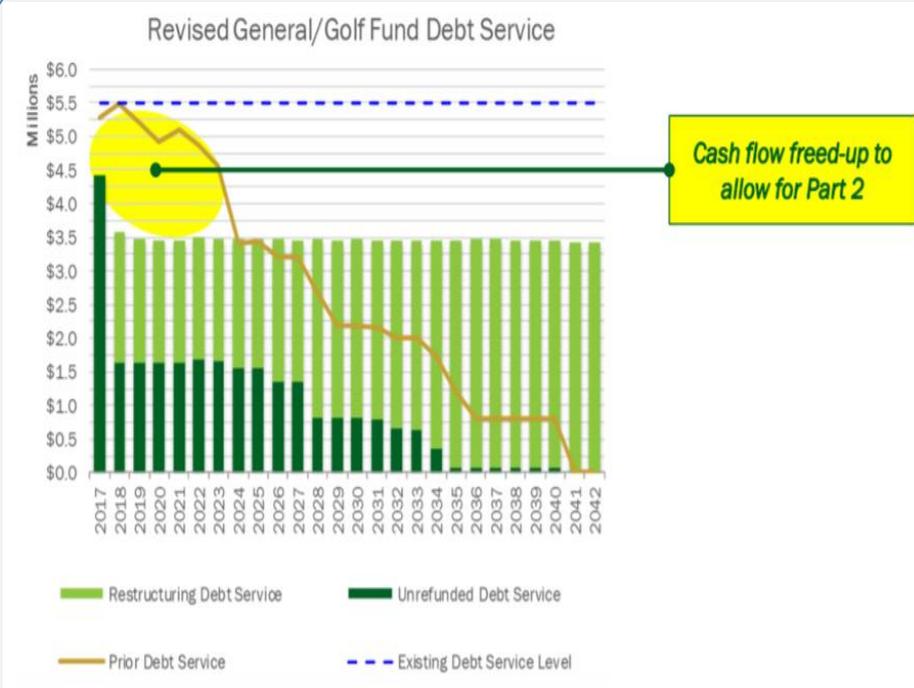
Debt Repayment Approach (1 of 2)



The City has \$53.3 Million in General/Golf Fund Debt and Lease Obligations outstanding.

Source: Discussion Materials, Potential Long-term Financial Solution, Davenport & Co, December 13, 2016

Debt Repayment Approach (2 of 2)



Part 1 – Refinance through VRA all of the outstanding debt issued through VRA along with other debt obligations totaling approximately \$38.7 Million.
Timetable Spring 2017

Part 2 – The City issues Deficit Bonds to repay the \$18.8 Million of overdue obligations.
Timetable Late Spring 2017.
This debt would be issued directly by the City of Petersburg (not VRA).

Mitigate Key Financial Risks (1 of 2)

RBG led in depth reviews of risks with the City Assessor, Treasurer and Commissioner of Revenue on 12/6 & 12/13

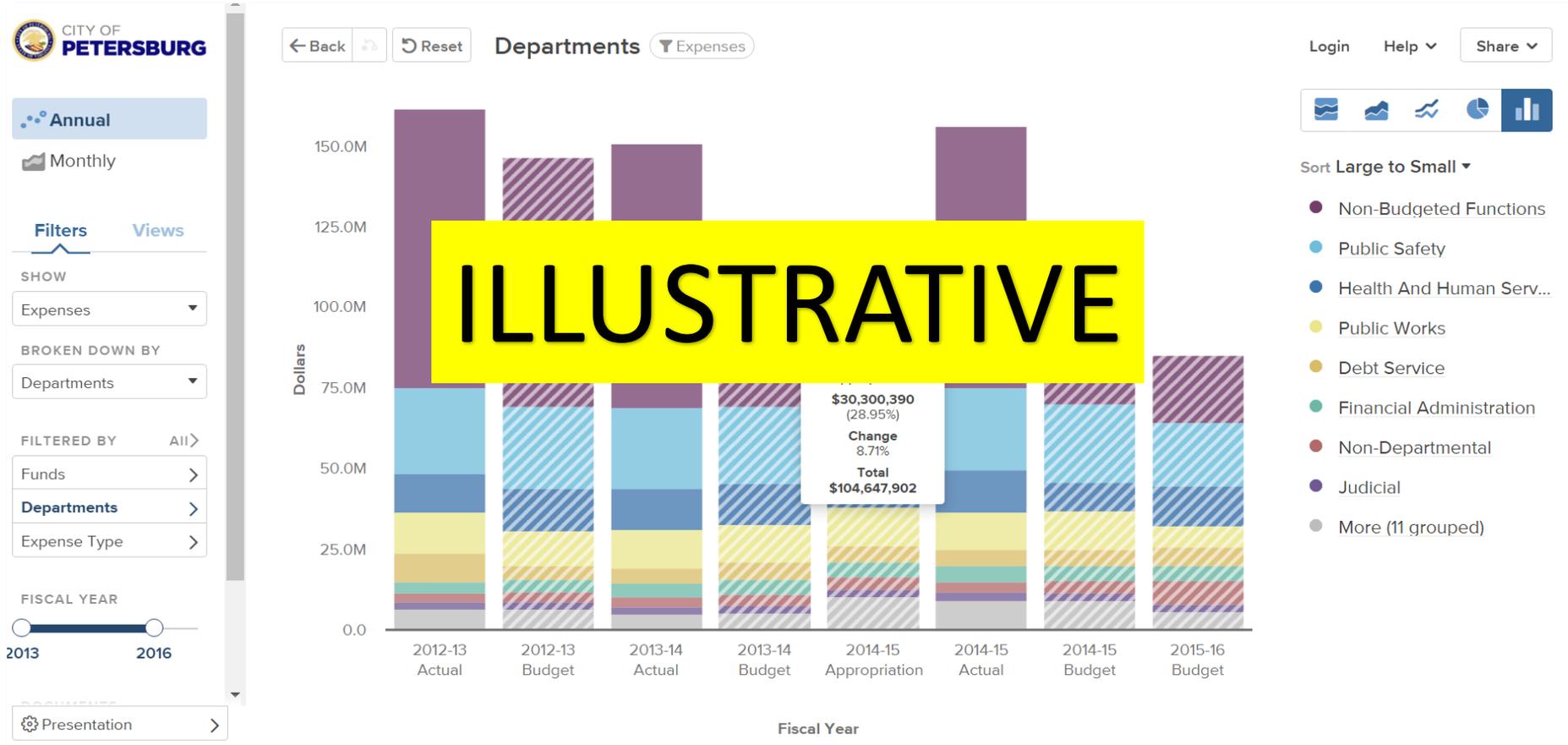
- **RISK 1: FINANCE AND PAYROLL IS UNDERSTAFFED**
 - **MITIGATION:** Identify staffing needs and make hiring decisions to avoid inaccuracies, audit and compliance issues
- **RISK 2: TIGHTEN ACCOUNTS PAYABLE PROCESS**
 - **MITIGATION:** Create new controls and diligence for the Requisition and Accounts Payable process. Monitor process so that systems control all invoices to be paid and checks to be cashed.
- **RISK 3: CITY HAS MIXED PROJECT FUNDING SOURCES CREATING REIMBURSEMENT CONFUSION**
 - **MITIGATION:** Create new Project Initiation Process (PIP) that is a gatekeeper to all future projects. Step 1 of PIP is to lock down project funding that does not change through the project lifecycle. Communicate through the budget the sources and uses of funds.

Mitigate Key Financial Risks (2 of 2)

RBG led in depth reviews of risks with the City Assessor, Treasurer and Commissioner of Revenue on 12/6 & 12/13

- **RISK 4: CANNOT PROJECT REVENUE COLLECTIONS ACCURATELY**
 - **MITIGATION:** Conduct a business process redesign of the monthly collections process.
- **RISK 5: Unclear division between City Treasurer, Commissioner of Revenue, Director of Finance and City Assessor**
 - **MITIGATION:** Document and implement transparent processes for billing functions, printing of checks & management of cash.
- **RISK 6: City Leadership transition and fiscal crisis creates budget uncertainty**
 - **MITIGATION:** Recreate the budget to bring back to Council on January 10, 2017.
- **RISK 7: Budget data reporting is unavailable for department leaders and the public to access**
 - **MITIGATION:** Utilize data analytics and reporting technology to make budget data readily accessible and use to build the FY18 budget.

RBG Makes Financial Reporting Easier



Finance Department Design Principles

RBG will design the Target State Finance Department based on these six organizational design principles

- 1. Sized Appropriately:** target state Finance Department will be sized to meet the needs of the City and support critical services (e.g., public safety, education, road projects, tourism), based on comparable municipal metrics; key features will include:
 - a. Departments and Offices will have the right number of direct reports
 - b. Will avoid both underutilization of staff skills and overutilization of staff (e.g., establishing routine work schedules)
- 2. Skilled:** Finance staff will have the appropriate skills to meet the needs of the target state Finance Department to manage assessments, revenue collections and treasury in coordination to meet the needs of the City
- 3. Optimized:** target state Finance Department will have the right resource mix of internal staff and contractors (e.g., auditors, data entry clerks) to support critical finance functions
- 4. Innovative:** target state Finance Department will bring technology innovation to managing City finances, providing real time reporting for City Manager, Budget Director, and Department Lead decision making
- 5. Knowledge Sharing:** Finance staff will actively share core knowledge, processes, and standard operating procedures using a collaboration portal
- 6. Driving Force of City Government:** target state Finance Department will be structurally designed to enable strategic growth of the City's finances while maintaining a sustainable and stable operating platform

Financial Update Recap

Review What We Discussed

- **City owes many vendors a lot of money**
- **We have not yet found new money so we have to do something different**
- **We can accomplish this by:**
 - **Reducing our budgetary obligations for loans (debt service)**
 - **Obtaining a new deficit loan**
 - **Right sizing our Budget so it is affordable**
 - **We can afford this because FY 18 debt service cost will be lower than current projections and we will build this cost into future budgets.**

Transparency

- Full List of Deferred Projects
- RBG Plan of Entry
- Issues Identified from 11/1/16 Council Report

Full List of Deferred Projects

Projects to be Deferred			
Project Name	Allotted Budget	Budget Spend	Projects to be Deferred
Poor Creek - 24" Line Replacement	\$1,793,000.00	\$98,227.15	\$1,694,772.85
Equipment	\$275,000.00	\$67,045.00	\$207,955.00
Poor Creek - Force Main	\$1,800,000.00	\$0.00	\$1,800,000.00
Public Works Facility	\$450,000.00	\$70,000.00	\$380,000.00
Brickhouse Run Sewer Line	\$250,000.00	\$0.00	\$250,000.00
Tank Assessment Program	\$1,875,000.00	\$500,000.00	\$1,375,000.00
Contingency	\$23,124.41	\$0.00	\$23,124.41
Museums	\$90,139.29	\$57,983.27	\$32,156.02
City Hall	\$729,050.00	\$664,883.81	\$64,166.19
Golf Course Improvements	\$148,000.00	\$20,578.40	\$127,421.60
Sheriff Facility Improvements	\$192,500.00	\$0.00	\$192,500.00
Parking Area Replacement	\$187,900.00	\$153,745.65	\$34,154.35
Jail Farm	\$45,000.00	\$0.00	\$45,000.00
Health Dept Roof Repair	\$89,000.00	\$0.00	\$89,000.00
Blandford Cemetary	\$30,000.00	\$0.00	\$30,000.00
Dogwood Tract Parking Lot	\$145,000.00	\$86,597.88	\$58,402.12
School Buses	\$529,528.00	\$523,278.00	\$6,250.00
Seige Museum HVAC	\$500,000.00	\$44,613.29	\$455,386.71
COR Carpet Replacement	\$8,000.00	\$5,750.00	\$2,250.00
Station 4 Roof Replacement	\$50,000.00	\$49,220.00	\$780.00
Sycamore St. Bathroom Addition	\$84,961.00	\$70,168.21	\$14,792.79
Recreation Center Design & Permits	\$50,000.00	\$47,500.00	\$2,500.00
Seige Museum Repair	\$515,000.00	\$61,618.77	\$453,381.23
Union Station Roof Repair	\$45,000.00	\$44,050.00	\$950.00
Magistrate Relocation	\$43,850.00	\$26,882.99	\$16,967.01
CA Exterior Wall & Cornice	\$40,000.00	\$39,934.35	\$65.65
City Hall Roof Replacement	\$37,056.00	\$18,880.00	\$18,176.00
Hustings Court Roof Replacement	\$249,785.00	\$217,240.67	\$32,544.33
Elevator Replacement	\$89,444.00	\$89,440.00	\$4.00
Outing Pavilion	\$50,000.00	\$40,150.00	\$9,850.00
Cart Path/Parking Lot	\$109,414.00	\$108,958.42	\$455.58
Clubhouse	\$759,000.00	\$723,416.35	\$35,583.65
Local Cost of Issuance	\$27,989.00	\$22,356.29	\$5,632.71
Contingency	\$55,385.00	\$0.00	\$55,385.00
Less Project Overages			-\$19,281.88
Total Amounts Deferred			\$7,495,325.32

Additional Needs			
Project Name	Project Description		Expenses Identified
South Side Depot Restoration	85-90% Complete. Cost is \$190,000 or 20% City obligation; An Additional 80% paid by VDOT		\$190,000.00
Ambulance	Cost \$286,000; reimbursed \$143,000 by Federal Govt		\$143,000.00
Jeb Stuart School Boiler Replacement	Project cost is \$70,570 + \$10,000 contingency		\$80,570.00
Conduct Technology Assessment/Define Robust and Scalable Financial Operating Platform			\$500,000.00
Total Expenses Accounted For			\$913,570.00
Net Total Amounts Deferred			\$6,581,755.32

Net amounts deferred is \$6.6M after \$900K of critical expenses

RBG Plan of Entry

- **Priority One is restructuring financial operations:**
 - *Balancing and keeping current budget balanced*
 - *Budget Policies and Monitoring/Reporting transparency*
 - *Financial Reporting/ Accounting Practices/Internal Auditing*
 - *Revenue Collections and billings*
- **Define a Strategy for short term borrowing and securing funding to restructure the long term deficit**
- **Create a Staffing Plan and develop a Leadership Recruitment Plan**
- **Establish leading policies, practices and procedures for each department**

Issues identified in Week 1 (1 of 4)

Issue #1: +/- \$18.0M Deficit from FY 2016 and Prior

- Figure Based on Analysis done by the State NOT the City; City has not maintained Records.
- We observed City has paid invoices from prior years using current year revenues (at least one example of an invoice paid twice from FY 16).

Key Activities

- Update the Analysis to Get a Final List of Outstanding Invoices from FY 16 and Prior
- Develop long-term financing strategy to deal with the deficit
- Communicate to vendors our plan and when they can expect to be paid

Issue #2: +/- \$6.0M Invoices Unpaid for FY 2017

- City has not had a strategic approach to handling the growing list of unpaid vendor invoices.
- Current FY that began July 1 has not been kept current and there continues to be a cash flow challenge as there is not enough money in the bank in cash to fulfill the current obligations.

Key Activities

- Secure Revenue Anticipation Note (RAN)
- Communicate to Vendor Community
- Pay all current obligations for FY 17 with the RAN

Issue #3: FY 17 Budget is Unrealistic, Lacks Transparency, and Has Not been appropriated or made available to the public

- Even with the \$12.5M reduction from the original budget to the amended budget, there is a lack of accountability and information related to the FY 17 budget to ensure that the City can meet what is planned.
- It appears that cutting employees salaries by 10% and reduction in force was taken over dramatically eliminating services.

Key Activities

- Map the process with the Finance team and Treasurer.
- Optimize how work can be done between the two departments
- Determine who is responsible to determine cash flows (cash versus obligations)
- Determine who is responsible for ensuring enough cash is in the bank to meet obligations.
- Determine the revenue cycle and what billing cycles should change to help cash flows, including state-shared revenues.
- Provide recommendations for upgraded systems/procedures to track cash.

Issues identified in Week 1 (2 of 4)

Issue #4: Cash Flow Projections are Unrealistic and Process to Determine Cash in Bank/Cash Flow is informal

- Revenue Anticipation Note was Assumed to be Available in November. However, the proceeds may not be available until December (at the earliest). This leaves November vulnerable to ensuring payroll obligations are able to be met.
- Property Taxes may not be paid until December; however, bills are to be mailed the first week of November.
- Much of the information related to cash in the bank is done through email and is not formalized in a central system.

Issue #6: Capital Projects and Capital Budgeting are Unrealistic

- The prime issue is that the City is obligated to paying the debt service on these bonds but has not yet drawn down the funds.
- In 2015, the City issued bonds through the Virginia Resource Authority's bond pool.
- To date, \$4.7M of projects have not begun and \$6.8M of bond proceeds have not been accessed.

Issue #5: South Central Wastewater Authority Lawsuit

Key Activities

- Attend the hearing and share our good faith commitment.
- Work with VRA, Bond Counsel and Davenport to develop a solution.

Issues identified in Week 1 (3 of 4)

Issue #7: 10% Pay Reduction for City Employees and Mass Exodus of Employees

As part of the budget reduction this summer, the City cut 10% pay across the board. This has resulted in 146 resignations and to date this fiscal year almost \$200K in leave payouts.

Key Activities

- Develop a path to restore the 10%.
- Communicate our commitment to staff
- Evaluate pay scales—especially department heads.
- Determine critical positions to hire.
- Make an analysis of consolidation of services and positions.

Issue 8: Use of restricted funds for General Fund purposes.

The City has historically used special revenue funds and enterprise funds to pay General Fund obligations.

Key Activities

- Develop a plan to separate the funds, including separate bank accounts, separate codes, etc.
- Determine how to handle federal and state grant funds management.
- Ensure cross training for grant fund draw-down out of Finance.

Issue 9: FY 15 CAFR found NO material issues; FY 16 has not started

The FY 15 CAFR did not find any material issues with the fiscal controls and accounting practices of the City. Additionally, a part-time/seasonal employee was hired by the City to conduct several journal entries to “get the books ready for the auditors.”

Key Activities

- Develop a plan to get the FY 16 CAFR done. One idea is to reach out to the auditor of public accounts for assistance.
- Review the management letter from the past audits to ensure that all identified is followed up on.
- Review the contract with the current auditors.
- Consider issuing a new RFP for the City’s CAFR/Auditing responsibilities.

Issues identified in Week 1 (4 of 4)

Issue 10: No full-time finance staff/Lack of Financial Policies

- The Finance Director was terminated last spring along with the City Manager. The Assistant Finance Director became Acting Finance Director and resigned effective Oct. 22. In addition, there was no succession planning nor was there an appropriate and professional handoff of passwords, responsibilities, etc.
- The Accounts Payable process is loose and lacks control and diligence. Several changes to the process have occurred that removes the use of the system to control the invoices to be paid and checks to be cashed. It is unclear how many invoices are not accounted for in the system.

Issue 11: Potential fraudulent activity

In the brief time spent being brought up to speed on City activities, it is apparent there has been significant negligence that may go beyond just the right to terminate an employee.

Key Activities

- Review emails/documents to trace any suspicious or fraudulent acts.

Issue 12: Decentralization of traditional finance responsibilities with the elected Treasurer and elected Commissioner of Revenue and unclear division of responsibilities/accountability

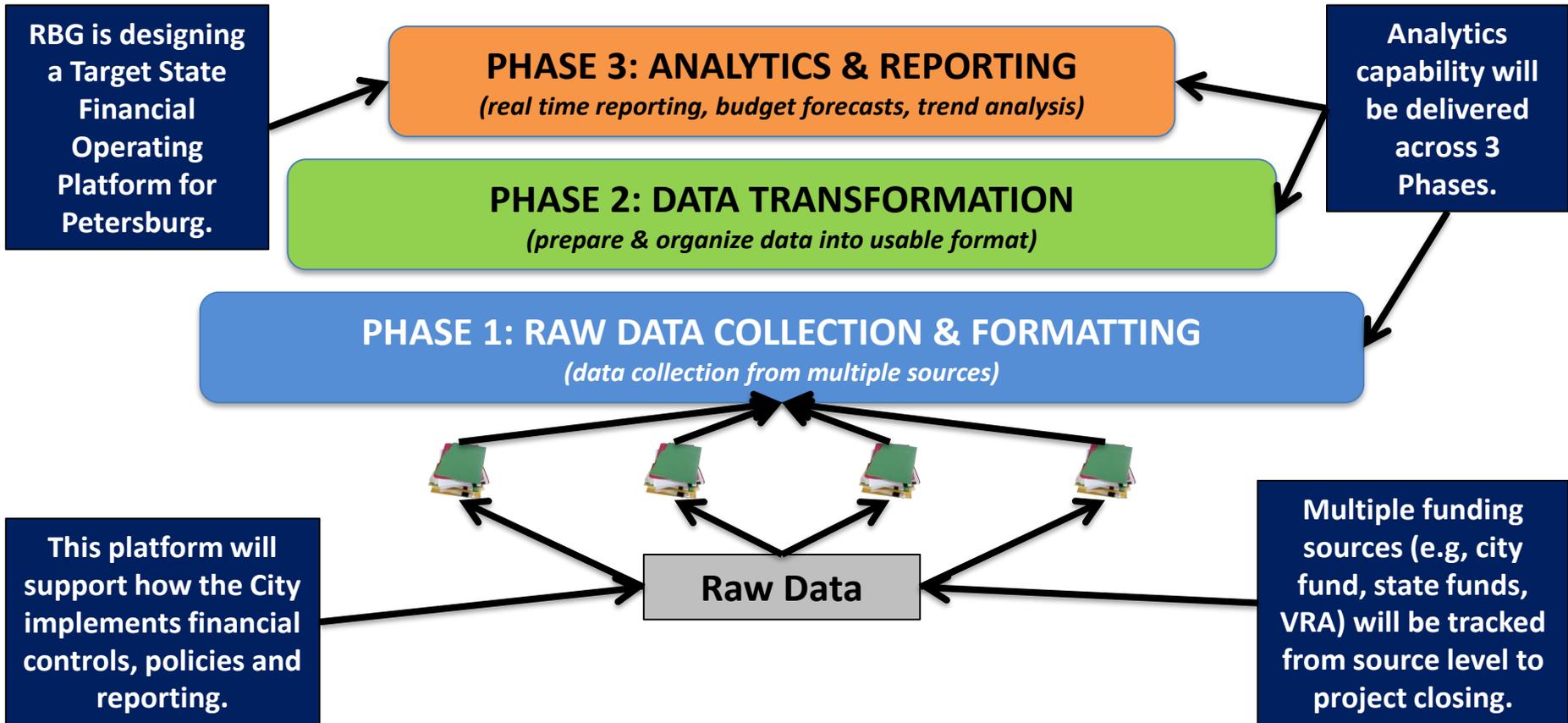
The Commissioner of Revenue is responsible for the billing function of the City while the City Treasurer is responsible for the collection of funds, printing of checks, and management of cash. The Finance Department is responsible to keep the City's books and develop and appropriate City budget.

Key Activities

- Flow the process of all three.
- Make recommendations for process improvement and clear division and/or consolidation of responsibilities.

Technology for Long Term Stability

The city's transformation toward financial accountability and transparency requires development of a stable operating platform.



Our goal is to leave behind a system of checks and balances that will enable city leaders to avoid budget and invoices payment issues that led to this crisis.