

City of Orange Township 0717  
 Corrective Action Plan of Audit Findings 2019

#	Finding	Recommendation	Explanation & Corrective Action	Responsible Party	Implementation Date
<b>Payroll Payments</b>					
<b>1</b>	<p>Documentation regarding approved salary was not provided for 4 employees</p> <p>Documentation of overtime payments for 2 employees were not in agreement with amounts paid</p> <p>Documentation for payments in addition to approved salaries, such as retroactive payments, overtime, and additional straight time, were not provided for audit and therefore could not be verified</p> <p>Calculations for Chapter 78 health benefit calculations could not be provided for 4 employees showing compliance with the statute</p> <p>Opt-out of insurance forms could not be provided for 2 employees.</p>	<p>The City should implement procedures so that required documentation is properly reviewed, approved and retained. The City should also ensure that all salaries are properly approved and that documentation is properly retained.</p>	<p>The payroll department will be required to keep documentation for approved salaries in a folder in the shared drive to be accessible by the payroll department and by the finance department. The payroll department will ensure that records are maintained to support all payroll expenditures and are accessible for auditing purposes. The comment regarding opt out insurance forms is erroneous since employees have not been receiving opt out payments for a few years, therefore no action is required.</p>	<p>TaQuisha Knight in Payroll, BA Chris Hartwyk and Lori Watkins in Human Resources.</p>	Immediate
<b>Payroll Bank Account</b>					
<b>2</b>	<p>The Payroll Account was not reconciled on a timely basis. The bank reconciliation presented for audit contained numerous errors that occurred throughout the year, including:</p> <p>A net receipt posting not transferred from March 28, 2019;</p> <p>A bank transfer not posted from April 16, 2019;</p> <p>Voided checks in the amount of \$209,054.66 not reflected in the general ledger;</p> <p>Various miscellaneous adjustments that net to an adjustment of \$11,713.53 that represents 34 various errors, wires not recorded, voided items or differences in actual vs correct transfer;</p>	<p>The Payroll Account should be reconciled on a timely basis and transfers to the payroll account should agree to the amounts specified in each pay period's payroll register.</p>	<p>The City had problems reconciling the PR account on a timely basis because of various problems with their reporting. The City has adjusted to address PR problems as soon as Payroll's are submitted to cut down on discrepancies.</p>	PR/ Admin & CFO	November 1, 2020

<b>Off-Duty Police Pay</b>				
<b>3</b>	During the course of our engagement we noted that the subsidiary ledger for off-duty pay accounts receivable and amounts held in reserves were not being maintained accurately and all transactions affecting the balance were not being recorded. The subsidiary ledger reflected that there are 63 accounts with negative balances, which reflects off duty police services rendered and paid by the City without the benefit of full payments from the vendors. The negative balance or amounts due from vendors reflected in the subsidiary ledger totaled \$2,263,812.21.	The City should provide greater oversight over the Off-Duty Police account and maintain a subsidiary ledger that is accurate. Off-duty police officers should not be assigned, where appropriate, prior to the collection of advance payments from vendors.	The Police Department has not complied with the Ordinance that requires vendors to place funds in escrow before officers are assigned to jobs, resulting in the accumulation of accounts receivable that have proven to be very difficult to collect after the officers have been paid. The City recently outsourced the administrative ODPO function thus shifting the risk to a third party who will manage this function. The City will use the assistance of the Law Department in an effort to collect the old outstanding balances.	CFO, Finance Director, BA and Law Department.
				December 31, 2020
<b>Purchasing</b>				
<b>4</b>	The City was unable to provide the bid documentation for one of the selections during our Local Public Contracts Law test.	The City should put procedures in place to ensure compliance with Local Public Contracts Law.	These two bids were not able to be located in DPW, Law, etc. Finance will work with all of the departments involved to ensure that documentation pertaining to all bids and ciontracts are maintained in a file and is available for audit.	Finance Director.QPA, CFO, DPW Director and the Law Department
				Immediate
<b>Pilot Revenue</b>				
<b>5</b>	During our audit of the City's PILOT (Payment in Lieu of Taxes) program, it was noted there were significant differences between amounts anticipated and amounts received. Additionally, the five percent portion was not turned over to the County.	All PILOT agreements should be reviewed to ensure that the appropriate amount of revenue is collected. Also, these agreements should be reviewed on an annual basis for proper compliance. Amounts due to the County should be remitted.	The City budgeted more than was received for PILOTS, due to the uncertainty surrounding the land tax component. PILOT agreements and the developers' audited financial statements will be reviewed on a regular basis to determine the proper mounts to be billed and budgeted.	BA Hartwyk, Finance Director Mapp, CFO Clements, Tax Assessors and Tax Collector.
				November 1, 2020
<b>Journal Entry Authroization</b>				

6	During our audit, we examined client prepared journal entries for proper posting and approval in the City's general ledger accounting system. We noted 5 of the journal entries tested were not authorized and approved by management.	We recommend all journal entries be reviewed and approved by management prior to posting in the general ledger.	All journal entries will be reviewed and approved by the CFO and Director of Finance.	CFO, Finance Director	November 1, 2020
<b>Status of Grants</b>					
7	Presently the Grant Fund, General Capital Fund and Utility Capital Fund include a large number of old grant receivables and reserves. There is also a reserve in the Grant Fund for an amount of \$580,543 which represents cancellations from prior years.	A review should be made of all grants to establish their availability and collectability. Funds should be expended, related receivables collected, or grants should be cancelled.	Department charging expenditures against grants will be required to provide the appropriate documentation to the grants coordinator, Wendy Sykes and to the finance department for reimbursement billing. The Finance department will perform an analysis of old grant receivables and will attempt to collect where possible and will cancel where necessary. Funding was placed in the CY2020 budget for a new hire who will assist with Grant outreach and collection.	CFO, Finance Director, and Grants Coordinator Wendy Sykes	December 2020
<b>Utility Fund Billings and Collections</b>					
8	The City has retained Suez Water to manage the City's water/sewer operations. From the reports provided by Suez Water, the City cannot determine certain amounts relating to consumption, interest and revenue recognition. Since inception, proper lines of communications have not been established over certain financial matters. The City	The City should request additional information from Suez Water to improve the financial reporting of the City.	The City will use the head of OWW, Kit Nease, to assist with getting all required documentation from SUEZ to resolve this long standing problem. The tax collector, Paula Ferreira and Kit Nease should work together to ensure problems are effectively addressed, and BA Hartwyk is negotiating the details of the contract to get better communication and reporting from SUEZ going forward.	Kit Nease, BA Hartwyk, and Tax Collector Paula Ferreira	December 1, 2020
<b>Interfunds</b>					
9	The City had more than \$10.8 million of interfund balances throughout the City's financial statements.	The City should perform timely reconciliations of its bank and general ledger accounts in order to minimize the amount of interfunds at the end of the year.	Reconciliations are now being done on a monthly basis to liquidate interfunds and to resolve this problem.	CFO Nile Clements	June 1, 2020
<b>Allocation of Tax Revenues</b>					

10	The City included a revenue item in its 2019 current fund budget for proceeds from the 2019 tax levy sale in the amount of \$2 million. The City recognized no revenue during 2019 for this revenue item. However, the City did recognize revenue in excess of budgeted amounts for delinquent tax revenue and current tax revenue.	The City should ensure revenue from tax collections are properly recorded and classified.	The amount represented an estimate for the special tax sale, it was a one time sale. In the future if a sale is held, proceeds will be separately accounted for. No action required at this time.	CFO Nile Clements	November 1, 2020
<b>Recording of Emergency Appropriations</b>					
11	During 2019, the City adopted an emergency in the amount of \$1,565,000 for legal judgments in its current fund. Subsequently, the City adopted a refunding bond ordinance to fund the emergency, however, did not move the transaction to the general capital fund.	The City should ensure transactions related to emergencies are appropriately recorded.	The City will follow the appropriate protocol and will ensure that all emergencies are properly recorded to the correct fund.	CFO Nile Clemenmts	November 1, 2020