



Finance Committee Report

City of Newton In City Council

Monday, April 9, 2018

Present: Councilors Gentile (Chair), Cote, Rice, Noel, Grossman, and Lappin

Absent: Councilors Ciccone and Norton

City staff present: Sue Dzikowski (Comptroller)

#207-18 Submittal of the CAFR, and external audit reports

COMPTROLLER transmitting the Comprehensive Annual Financial Report and external audit reports for fiscal year ending June 30, 2017 for City Council review/acceptance.

Action: Finance Approved 6-0

Note: The Committee met with Matt Hunt of Clifton, Larson, Allen, LLP (CLA), the City's external auditing firm, to discuss CLA's review of the City's Comprehensive Annual Financial Report (CAFR) and review of the single audit report and the management letter for Fiscal Year 2017. The Committee members received copies of all documents related to the audit. The CAFR, Federal Grants Report (single audit report) and the Management Letter can be found at: <http://www.newtonma.gov/gov/comptroller/new.asp>

Mr. Hunt began the discussion by reviewing the City's Comprehensive Annual Financial Report (CAFR). The only GASB Statement of any impact this year is GASB 74 that requires the City to report its Other Post-Employment Benefits (OPEB) liability in a manner that aligns with reporting requirements for pension liability in the CAFR. The OPEB liability is not on the balance sheet this year but is part of the CAFR footnotes. There are no new audit standards that result in significant changes to the FY 2017 audit. The auditor's opinion on Fiscal Year 2017 Comprehensive Annual Financial Report is unmodified (i.e., the financial statements present fairly, in all material respects, the City's financial situation), which is in keeping with prior years.

Mr. Hunt reviewed the financial highlights of the audit of the CAFR. The Government Wide Financial Statements are reported on Pages 18-21 of the CAFR, which shows the City's assets, liabilities, and net position. The key information is the fund balance information, particularly for the General Fund. The City's assets are currently valued at approximately \$748 million of which \$195.5 million is from cash and investments and \$554 million is from capital assets. The City's current liabilities are approximately \$958 million of which \$283 million are bond payable obligations, \$283 million are net OPEB obligations, and \$317 million are net pension liabilities.

The City's has a negative net position of \$180 million, which is an increase of \$19.6 million from last year, which is largely attributed to a \$36 million increase in OPEB and pension liabilities. In addition, there is an unrestricted *deficit* of \$485 million in governmental activities, which is attributable

to the recognition of the pension and Other Post-Employment Benefit obligations. The City does have a plan for funding both the pension liabilities and the OPEB liabilities.

The City's general fund debt service compares favorably with other communities at 4.8%. It is a .4% decrease over the past fiscal year. The general fund balance at the end of FY 2017 was \$67 million, which includes \$3.6 million in restricted funds, \$14.9 million set aside for FY 2018 and 2.4 million of assigned funds. The City continues to build its unassigned fund balance primarily through increasing the City's Rainy Day Stabilization Fund. The FY 2017 unassigned balance is \$46.2 million, which includes \$19.7 million in the Rainy Day Stabilization Fund. The MDMA on Page 12 of the CAFR show trends on how balances in the unassigned funds have grown over the past five years. In addition, Pages 24-26 provides a reconciliation of the governmental fund balance totals to the statement of net position that pinpoints how the General Fund compares to the budget.

Mr. Hunt reviewed the financial highlights related to the enterprise funds and internal service funds. The sewer enterprise fund ended the fiscal year with assets totaling \$90 million and liabilities of \$22 million, which includes both pension and OPEB liabilities. There is an increase of \$5.9 million in net position over last fiscal year. The water enterprise fund ended the fiscal year with assets of \$78 million and liabilities of \$30 million, which represents an increase of \$4 million in net position. The Storm Water Enterprise assets total \$5 million and its liabilities total \$1.2 million. The internal service assets were \$35.3 million at the end of the fiscal year and liabilities totaled \$13.5 million, consisting mainly of incurred but not reported health claims liabilities and workers compensation liabilities. The net position of the internal service funds is \$22 million. Overall, the internal service funds increased by about \$6 million. Further information on the City's enterprise funds, and insurance funds can be found on Pages 28-30.

Mr. Hunt continued with a review of the fiduciary funds financial statements found on Pages 31-32 of the CAFR. The City's Pension Trust Fund total is \$306 million increasing by \$16 million over last year and the OPEB Trust Fund total is \$6 million, which is an increase of \$2.4 million over last fiscal year, which is partially due to a \$555,000 return on investment.

In addition, Mr. Hunt provided a quick review of the footnotes included in the CAFR. Note 10 of the CAFR footnotes relate to long-term debt. Total outstanding long-term debt is \$297.1 million (Note 10). The city has issued \$66 million of general obligation bonds and retired \$64 million in debt from general fund bonds. The OPEB unfunded actuarial accrued liability is \$645 million, a decrease of \$77 million from the prior year's \$722 million (Note 12). The decrease is a result of increasing the discount rate to 3.58% from 2.06%. The OPEB liability is 0.93% funded with assets of \$6 million. The City's annual OPEB costs are \$48.9 million and City contributions to the cost are \$20.8 million. The net OPEB obligation as of June 30, 2017 is \$289.8 million. The total pension liability is \$636 million. This year the liability is 48.6% funded, which is an increase of .6% from the prior year funding. For further information on the pension liabilities, refer to Pages 74 – 76 of the CAFR.

The independent auditor provides reports on the internal control over federal and state financial reporting and on compliance. The report does not provide an opinion on internal controls but includes any significant deficiencies and/or material weaknesses in internal controls and material noncompliance to laws and regulations.

The two major programs reviewed in FY 17 were the Child Nutrition and the SPED Programs, which receive grant funding. There were no financial reporting findings and no current year grant findings. The City received an unmodified opinion on federal grant award programs; however, significant deficiencies were identified that are not considered material weaknesses. These findings are considered innocuous but the auditor will follow up on these findings next year.

As part of the audit of the Child Nutrition Program, the auditor identified insufficient information to support eligibility for free or reduced lunch benefits in four of 40 applicants tested. The auditor recommends implementation of procedures to ensure that all applications and supporting records are preserved for all participants in the program. In addition, the verification for qualification for free and reduced price was not done in accordance with the federal guidelines. The recommendation is to implement a process to ensure the verifications are done in accordance with the uniform guidelines.

The second finding is related to the SPED Program's special reporting requirements. One of the student files tested did not contain evidence of a signature review and approval. The auditor recommends putting procedures in place to make sure that all student files have the appropriate review and signatures.

Mr. Hunt continued with a review of the Management Letter. During the audit, CLA notes any matters that are opportunities for strengthening internal controls and operating efficiency, which the auditor conveys through the Management Letter and include recommendations on addressing the comments. This year's management letter contains four prior year comments that the auditor considers resolved. A summary of the resolved comments are included in this year's management letter.

There is one prior year comment that has been partially resolved and two prior year comments that are unresolved, and two new comments in the Management Letter. Mr. Hunt reviewed each of the comments and the Auditor's recommendation with the Committee. The Financial Audit Advisory Committee's Accounting and Audit Sub-committee has met with representatives of the Police, School, Human Resources, and Treasury Departments regarding the comments related to their departments. The comments, recommendations and the Administration's responses to the Management Letter are attached.

Mr. Hunt concluded his presentation with a comment that the City is in good financial shape and overall it was a good year for the City. With that, Councilor Grossman moved approval of the acceptance of the CAFR and associated documents, which carried unanimously.

The Finance Chair added that the Financial Audit Advisory Committee will meet on Tuesday, April 24 2017 to begin planning for next year's audit. During that meeting, the Financial Audit Advisory Committee (FAAC) identifies two areas within the City or School Department for the auditor to focus on during the upcoming audit. The FAAC chose athletic fees/gate receipts and payroll policies, which are comments within the Management Letter. The FAAC generally chooses areas where there are known issues or collect money. He invited the committee members to attend the meeting and provide any suggestions on areas for review.

#206-18 Appropriate \$100,000 from Free Cash to the School Department's Budget

HER HONOR THE MAYOR requesting authorization to appropriate one hundred thousand dollars (\$100,000) from Free Cash to supplement the School Department's FY 18 Budget. The FY 18 State Budget, which was approved after the City's FY 18 budget included an additional \$125,636 in State funding for Newton.

Action: **Finance Held 6-0**

Note: The above request is for a transfer of \$100,000 from the City's budget to the School Department's budget. The City received an additional \$125,636 from the State's FY 18 budget. The Administration was unavailable to present the request and committee members had questions. Councilor Cote moved hold, which carried unanimously. The item will be discussed on April 24, 2017 at a joint meeting with Finance and Programs and Services to discuss the School Department's FY 19 budget.

Chair's Note: Financial Audit Advisory Committee member Tony Logalbo presented the 2017 Annual report of the Financial Audit Advisory Committee (FAAC) on behalf of Councilor Gentile, who chairs the FAAC. Mr. Logalbo reviewed the highlights of the attached report with the Committee.

Mr. Logalbo added that in the upcoming year along with its usual work the FAAC would begin preparing a Request for Proposals for a new contract for auditing services. The Committee thanked Mr. Logalbo for serving on the Committee and providing the annual report.

All other items before the Committee will be held without discussion and the Committee adjourned at 7:55 PM. Draft Council Orders for the above items that are recommended for City Council action are attached.

Respectfully submitted,

Leonard J. Gentile, Chair

City of Newton
FY17 Management Letter Responses
February 23, 2018

Prior Year Comments – Partially Resolved

Personnel/Payroll

Comment

Our prior year management letter identified various deficiencies related to payroll and personnel processing associated with new hires, departmental transfers and terminations. We performed follow-up testing on the findings identified in the prior year and identified the following:

- Similar to the prior year, three (3) of four (4) terminations selected for testing included Personnel Action Forms (PAF) with approval dates that were subsequent to the termination dates listed on the PAF. Since the PAF serves as a document that provides evidence of internal controls over terminations (such as the approvals of the terminations), it's important that the PAF support the City's control objectives.

Recommendation

We recommend the City strengthen procedures to obtain and document approvals of terminations prior to the related termination dates.

Management's Response

As announced in the Mayor's State of the City address in February 2018, the city will soon welcome a new Director of Human Resources to fill the position which has been vacant. All procedures will be reviewed and adjusted accordingly.

Prior Year Comments – Unresolved

Police Details

Comment

Our prior year management letter identified that subsequent to fiscal 2014 year-end, the City's Information Technology Department developed a new billing and collection system for police details that is fully integrated with the police detail scheduling and payroll systems of the City. The remaining step was to integrate the system with the general ledger.

As of the date of this report, the police details billing and collection system is not integrated with the general ledger.

Recommendation

We recommend the City evaluate the cost/benefit of integrating the police details billing and collection system with the general ledger.

Management's Response

The City of Newton is currently in contract negotiations to purchase a new comprehensive software package for financial and human resources data. Since the current system will become obsolete, (and in fact is no longer supported by the manufacturer), there is no benefit to integrating the police details billing and collection system with the general ledger at this time.

Investment Policy for Certain Trust Funds**Comment**

Our prior year management letter identified that certain trust funds maintained by the City were not governed by formal investment policies.

As of the date of this report, formal investment policies for these trust funds have not been developed and implemented.

Recommendation

We recommend the City develop and adopt a written investment policy for those trust funds that are currently not governed by one. The policy should, at a minimum, address the following:

- Investment objectives
- Maximum amounts for investments and the approval criteria
- Types of authorized investments
- Desired mix of products (especially those considered to create risk)
- Goals for the amount of return expected
- Approved vendors of investment products
- The maximum length of time cash can be committed

Management's Response

The City's Investment Advisory Committee has scheduled meetings in March 2018 to address the development and adoption of a written investment policy for those trust funds not currently governed by one.

Current Year Comments**High School Athletic Fees and Gate Receipts****Comment**

We evaluated the systems of internal controls related to athletic fees and football gate receipts for Newton North High School (NNHS) and Newton South High School (NSHS). We identified the following areas for improvement:

Newton North High School

1. We identified there are no formal, documented policies for collecting and tracking athletic fees. Such policies would standardize procedures, clearly define responsibilities and assist during times of employee absence and turnover.
2. Student athlete accounts are reviewed frequently, however, there is no formal documented procedure to perform periodic reconciliations of team participants to athletic fees collected. Formal,

periodic reconciliations of participant counts to revenues collected provide additional assurance over the reporting of revenues.

3. The Athletics office uses an athletics fees software (Family ID) which possesses the capabilities to automatically update payments posted to participant accounts. Currently, the process is manual and involves entering payments obtained from the City's lockbox software (Unipay) into a note to be posted to the participant's account in Family ID. The note entry is not finalized until the activity is archived in Family ID and meanwhile, such notes can be deleted, modified, or transferred to a different activity. The use of the software's automation capabilities, or use of a different automated fee management system, would strengthen controls over fee collections, reduce the risks of inaccurate payment information and increase efficiencies. The automated system should include mechanisms to protect data integrity and should be able to query fee data and generate useful financial reports.

4. The current procedures for athletic fees paid by check are for the checks to be held from the date of registration through the date tryouts conclude - a timeframe of several weeks. The current process increases risks related to safeguarding assets and does not promote timeliness of financial reporting.

5. A pre-numbered ticketing system is not used for football gate receipts. Currently, hand stamps are utilized for entry to football games and are provided upon payment. Such a method does not allow for reconciliations of gate receipts collected to tickets sold, which would increase assurance over the accuracy and completeness of gate receipts.

6. Typically, one person collects football gate receipts and a separate person provides hand stamps. However, there are times in which one person is responsible for both. This represents an inadequate segregation of duties.

7. Football gate collections are counted by the Athletics Director and Administrative Assistant after each game prior to the deposit to the bank and turnover of the cash receipts schedule to the School Business Office. However, there is no documented evidence of each count taking place. A standard form should be implemented that includes the counting parties' signatures attesting to the accuracy of the count. Such a procedure establishes dual accountability for football gate collections.

8. During testing of football gate receipts, we identified a single turnover of over \$5,000 that represented collections for five (5) football games. Through our discussions with the athletics office, we identified that the gate receipts were stored in a locked cabinet in the Athletic Director's office as opposed to being turned over after each game. The current process increases risks related to safeguarding assets and does not promote timeliness of financial reporting.

9. During testing of athletic fees receipts, for two (2) out of 5 receipts tested, the supporting documentation did not allow for a complete reconciliation of the payment by family and/or by sport/activity. Documentation maintained for athletic fees should allow for the recalculations of amounts paid by family and sport in case payment questions or disputes arise.

Newton South High School

1. Similar to NNHS, we identified there are no formal, documented policies for collecting and tracking athletic fees. Such policies would standardize procedures, clearly define responsibilities and assist during times of employee absence and turnover.

2. Similar to NNHS, there is no formal documented procedure to perform periodic reconciliations of team participants to athletic fees collected. Formal, periodic reconciliations of participant counts to revenues collected provide additional assurance over the reporting of revenues.

3. Similar to NNHS, The Athletics office uses an athletics fees software (Family ID) which possesses the capabilities to automatically update payments posted to participant accounts. Currently, the process is manual and involves entering payments obtained from the City's lockbox software (Unipay) into a note to be posted to the participant's account in Family ID. The note entry is not finalized until the activity is

archived in Family ID and meanwhile, such notes can be deleted, modified, or transferred to a different activity. The use of the software's automation capabilities, or use of a different automated fee management system, would strengthen controls over fee collections, reduce the risks of inaccurate payment information and increase efficiencies. The automated system should include mechanisms to protect data integrity and should be able to query fee data and generate useful financial reports.

4. Athletic fee refunds due to participants registered in Family ID are tracked outside of the software with an Excel spreadsheet. The utilization of an additional system is unnecessary and increases the risk of over-collection and/or withholding of fees due to registered students.

5. Similar to NNHS, a pre-numbered ticketing system is not used for football gate receipts. Currently, hand stamps are utilized for entry to football games and are provided upon payment. Such a method does not allow for reconciliations of gate receipts collected to tickets sold, which would increase assurance over the accuracy and completeness of gate receipts.

6. Football gate collections are counted by the Athletics Director and Administrative Assistant after each game prior to the deposit to the bank and the turnover of cash receipts to the School Business Office. In addition, a Google document that details the gate receipts is prepared and submitted with the turnover. However, the Google document does not include the counting parties' signatures attesting to the accuracy of the count. Such a procedure establishes dual accountability for football gate collections.

7. During testing of football gate receipts, we identified a single turnover of over \$9,000 that represented collections for all of the fall season's football games. Through our discussions with the athletics office, we identified that for over a span of over two months, the gate receipts were stored in a locked cabinet in the Athletic Director's office as opposed to being turned over after each game because of the Athletic Director's medical absence during this time. This process increased risks related to safeguarding assets and did not promote timeliness of financial reporting.

Recommendation

We recommend the City and School Department analyze the cost/benefit of the improvements identified and to implement policies and procedures accordingly.

Management's Response

Newton Public Schools management accepts the auditor's recommendations. Management is improving procedures including documentation and training. Management is implementing additional cash handling controls and accounting controls through fee management software.

Payroll Adjustments

Comment

Through inquiry procedures and observations, we identified instances in which the City's information technology department had to make late adjustments to payroll during the processing of checks. These adjustments were primarily check voids resulting from employees and/or amounts being carried forward from the prior payroll's pre-calculation file (for example, a seasonal employee) that were not supposed to be included in the current payroll.

These late adjustments to payroll increase the risk of errors and place additional administrative burden on the processing of payroll.

Recommendation

We recommend the City implement policies and procedures to help minimize these occurrences, including placing increased emphasis on City departments reviewing their payroll data prior to it being submitted for processing.

Management's Response

The City accepts the auditor's recommendation to minimize these occurrences and will continue to work towards this goal.

CITY OF NEWTON

IN CITY COUNCIL

2018

ORDERED:

That, in accordance with the recommendation of the Finance Committee through its Chair Leonard J. Gentile, the Board of Aldermen has reviewed and hereby accepts the Comprehensive Annual Financial Report and external audit reports for fiscal year ending June 30, 2017 submitted by the Comptroller.

Under Suspension of Rules
Readings Waived and Adopted

(SGD) DAVID A. OLSON
City Clerk

Prior Year Comments – Partially Resolved

Personnel/Payroll

Comment

Our prior year management letter identified various deficiencies related to payroll and personnel processing associated with new hires, departmental transfers and terminations. We performed follow-up testing on the findings identified in the prior year and identified the following:

- Similar to the prior year, three (3) of four (4) terminations selected for testing included Personnel Action Forms (PAF) with approval dates that were subsequent to the termination dates listed on the PAF. Since the PAF serves as a document that provides evidence of internal controls over terminations (such as the approvals of the terminations), it's important that the PAF support the City's control objectives.

Recommendation

We recommend the City strengthen procedures to obtain and document approvals of terminations prior to the related termination dates.

Management's Response

As announced in the Mayor's State of the City address in February 2018, the city will soon welcome a new Director of Human Resources to fill the position which has been vacant. All procedures will be reviewed and adjusted accordingly.

Prior Year Comments – Unresolved

Police Details

Comment

Our prior year management letter identified that subsequent to fiscal 2014 year-end, the City's Information Technology Department developed a new billing and collection system for police details that is fully integrated with the police detail scheduling and payroll systems of the City. The remaining step was to integrate the system with the general ledger.

As of the date of this report, the police details billing and collection system is not integrated with the general ledger.

Recommendation

We recommend the City evaluate the cost/benefit of integrating the police details billing and collection system with the general ledger.

Management's Response

The City of Newton is currently in contract negotiations to purchase a new comprehensive software package for financial and human resources data. Since the current system will become obsolete, (and in fact is no longer supported by the manufacturer), there is no benefit to integrating the police details billing and collection system with the general ledger at this time.

Investment Policy for Certain Trust Funds

Comment

Our prior year management letter identified that certain trust funds maintained by the City were not governed by formal investment policies.

As of the date of this report, formal investment policies for these trust funds have not been developed and implemented.

Recommendation

We recommend the City develop and adopt a written investment policy for those trust funds that are currently not governed by one. The policy should, at a minimum, address the following:

- Investment objectives
- Maximum amounts for investments and the approval criteria
- Types of authorized investments
- Desired mix of products (especially those considered to create risk)
- Goals for the amount of return expected
- Approved vendors of investment products
- The maximum length of time cash can be committed

Management's Response

The City's Investment Advisory Committee has scheduled meetings in March 2018 to address the development and adoption of a written investment policy for those trust funds not currently governed by one.

Current Year Comments

High School Athletic Fees and Gate Receipts

Comment

We evaluated the systems of internal controls related to athletic fees and football gate receipts for Newton North High School (NNHS) and Newton South High School (NSHS). We identified the following areas for improvement:

Newton North High School

1. We identified there are no formal, documented policies for collecting and tracking athletic fees. Such policies would standardize procedures, clearly define responsibilities and assist during times of employee absence and turnover.
2. Student athlete accounts are reviewed frequently, however, there is no formal documented procedure to perform periodic reconciliations of team participants to athletic fees collected. Formal,

periodic reconciliations of participant counts to revenues collected provide additional assurance over the reporting of revenues.

3. The Athletics office uses an athletics fees software (Family ID) which possesses the capabilities to automatically update payments posted to participant accounts. Currently, the process is manual and involves entering payments obtained from the City's lockbox software (Unipay) into a note to be posted to the participant's account in Family ID. The note entry is not finalized until the activity is archived in Family ID and meanwhile, such notes can be deleted, modified, or transferred to a different activity. The use of the software's automation capabilities, or use of a different automated fee management system, would strengthen controls over fee collections, reduce the risks of inaccurate payment information and increase efficiencies. The automated system should include mechanisms to protect data integrity and should be able to query fee data and generate useful financial reports.

4. The current procedures for athletic fees paid by check are for the checks to be held from the date of registration through the date tryouts conclude - a timeframe of several weeks. The current process increases risks related to safeguarding assets and does not promote timeliness of financial reporting.

5. A pre-numbered ticketing system is not used for football gate receipts. Currently, hand stamps are utilized for entry to football games and are provided upon payment. Such a method does not allow for reconciliations of gate receipts collected to tickets sold, which would increase assurance over the accuracy and completeness of gate receipts.

6. Typically, one person collects football gate receipts and a separate person provides hand stamps. However, there are times in which one person is responsible for both. This represents an inadequate segregation of duties.

7. Football gate collections are counted by the Athletics Director and Administrative Assistant after each game prior to the deposit to the bank and turnover of the cash receipts schedule to the School Business Office. However, there is no documented evidence of each count taking place. A standard form should be implemented that includes the counting parties' signatures attesting to the accuracy of the count. Such a procedure establishes dual accountability for football gate collections.

8. During testing of football gate receipts, we identified a single turnover of over \$5,000 that represented collections for five (5) football games. Through our discussions with the athletics office, we identified that the gate receipts were stored in a locked cabinet in the Athletic Director's office as opposed to being turned over after each game. The current process increases risks related to safeguarding assets and does not promote timeliness of financial reporting.

9. During testing of athletic fees receipts, for two (2) out of 5 receipts tested, the supporting documentation did not allow for a complete reconciliation of the payment by family and/or by sport/activity. Documentation maintained for athletic fees should allow for the recalculations of amounts paid by family and sport in case payment questions or disputes arise.

Newton South High School

1. Similar to NNHS, we identified there are no formal, documented policies for collecting and tracking athletic fees. Such policies would standardize procedures, clearly define responsibilities and assist during times of employee absence and turnover.

2. Similar to NNHS, there is no formal documented procedure to perform periodic reconciliations of team participants to athletic fees collected. Formal, periodic reconciliations of participant counts to revenues collected provide additional assurance over the reporting of revenues.

3. Similar to NNHS, The Athletics office uses an athletics fees software (Family ID) which possesses the capabilities to automatically update payments posted to participant accounts. Currently, the process is manual and involves entering payments obtained from the City's lockbox software (Unipay) into a note to be posted to the participant's account in Family ID. The note entry is not finalized until the activity is

archived in Family ID and meanwhile, such notes can be deleted, modified, or transferred to a different activity. The use of the software's automation capabilities, or use of a different automated fee management system, would strengthen controls over fee collections, reduce the risks of inaccurate payment information and increase efficiencies. The automated system should include mechanisms to protect data integrity and should be able to query fee data and generate useful financial reports.

4. Athletic fee refunds due to participants registered in Family ID are tracked outside of the software with an Excel spreadsheet. The utilization of an additional system is unnecessary and increases the risk of over-collection and/or withholding of fees due to registered students.

5. Similar to NNHS, a pre-numbered ticketing system is not used for football gate receipts. Currently, hand stamps are utilized for entry to football games and are provided upon payment. Such a method does not allow for reconciliations of gate receipts collected to tickets sold, which would increase assurance over the accuracy and completeness of gate receipts.

6. Football gate collections are counted by the Athletics Director and Administrative Assistant after each game prior to the deposit to the bank and the turnover of cash receipts to the School Business Office. In addition, a Google document that details the gate receipts is prepared and submitted with the turnover. However, the Google document does not include the counting parties' signatures attesting to the accuracy of the count. Such a procedure establishes dual accountability for football gate collections.

7. During testing of football gate receipts, we identified a single turnover of over \$9,000 that represented collections for all of the fall season's football games. Through our discussions with the athletics office, we identified that for over a span of over two months, the gate receipts were stored in a locked cabinet in the Athletic Director's office as opposed to being turned over after each game because of the Athletic Director's medical absence during this time. This process increased risks related to safeguarding assets and did not promote timeliness of financial reporting.

Recommendation

We recommend the City and School Department analyze the cost/benefit of the improvements identified and to implement policies and procedures accordingly.

Management's Response

Newton Public Schools management accepts the auditor's recommendations. Management is improving procedures including documentation and training. Management is implementing additional cash handling controls and accounting controls through fee management software.

Payroll Adjustments

Comment

Through inquiry procedures and observations, we identified instances in which the City's information technology department had to make late adjustments to payroll during the processing of checks. These adjustments were primarily check voids resulting from employees and/or amounts being carried forward from the prior payroll's pre-calculation file (for example, a seasonal employee) that were not supposed to be included in the current payroll.

These late adjustments to payroll increase the risk of errors and place additional administrative burden on the processing of payroll.

Recommendation

We recommend the City implement policies and procedures to help minimize these occurrences, including placing increased emphasis on City departments reviewing their payroll data prior to it being submitted for processing.

Management's Response

The City accepts the auditor's recommendation to minimize these occurrences and will continue to work towards this goal.