

# **FINANCIAL AUDIT ADVISORY COMMITTEE**

## **Report**

**Thursday, June 7, 2012 at 8:30 AM**

Present: Ald. Fuller (Chairman), Gail Deegan, School Committee Member Matt Hills, Ald. Gentile, and Howard Merkowitz

Also present: Candace Havens (Director of Planning), Anne Marie Belrose (Community Development Manager), David Wilkinson (Comptroller), Maureen Lemieux (Chief Financial Officer), and Sue Dzikowski (Director of Finance; School Department)

### **2010 HPRP Grant Discussion**

The meeting began with a discussion regarding the State Inspector General's review of the City's management of the 2010 Homeless Prevention and Rapid Re-housing Program (HPRP) Grant. At the Financial Audit Advisory Committee's last meeting, Ald. Lennon inquired about the status of the Massachusetts Office of the Inspector General's review of the 2010 HPRP Grant. Both the Chief Financial Officer and Comptroller were unaware of the review at the time; therefore, they could not comment on the review at the last Financial Audit Advisory Committee.

Director of Planning Candace Havens and Community Development Manager Anne Marie Belrose provided the Committee with information on the review of the 2010 HPRP Grant and the City's response to the Inspector General. The City was awarded the grant in 2009 from the United States Department of Housing and Urban Development (HUD) and the funds were received directly from HUD. The City awarded the management of the grant to Jewish Children and Family Services. The City provides oversight of the program and is required to audit the grant once a year. The audits of the program have been clean with no findings associated with the audit.

The Office of the Inspector General informed the City in August 2011 that it had undertaken a review of the City's management of the grant. The Office of the Inspector General raised concerns regarding the City's oversight and control of the grant once grant management was awarded to Jewish Children and Family Services. The Office of the Inspector General felt that, due to a lack of oversight by the City, there were oversight and control processes that were overlooked and overcharges related to grant management. The letter, which was attached to the agenda, from the Office of the Inspector General dated August 3, 2011, provides specific findings related to the grant. As far as Ms. Havens and Ms. Belrose are concerned, the City met the requirements for administering the grant. Although the City will use some of the Inspector General's recommendations, it disagrees with most of the issues raised in the report. The City responded with a letter to the Inspector General addressing or disputing each of the concerns raised in the Inspector General's Office. The City received a letter back from the Inspector General in January 2012, which recognized that HUD is the grantor agency and, therefore, the

regulatory authority for the grant. However, the Inspector General still disagreed with the City's management of the grant and the City's responses to the Inspector General's findings.

Ms. Havens stated that the City has shared the letters from the Inspector General and the City's response letter with HUD. HUD appears to be comfortable with the City's responses to the Inspector General and does not plan to follow up on the Inspector General's review of the HPRP Grant.

The Committee raised concerns that there may be some repercussions as a result of the City's disagreement with the Inspector General's review. It was suggested that the City send a brief letter thanking the Inspector General for the interest and recommendations related to grant management. Ms. Havens has sent the attached letter to the Inspector General. The Committee also recommended that the Comptroller and Chief Financial Officer be informed immediately if a similar situation arises. Ms. Havens agreed with this recommendation.

### **Review of Sub-committee Work Plans**

#### **Accounting and Audit Sub- Committee:**

There is a process in place to address issues raised in the auditor's management letter. Invitations have been sent the School Department, Police Department and Planning Department to discuss the following specific management letter issue(s): Student Activity Funds, Police Details, and Newton Community Development Authority. The sub-committee will be meeting with those departments once a date has been agreed upon.

#### **Internal Controls & Financial Policies and Procedures Sub- Committee:**

A six month work plan for the sub-committee is attached.

#### **Risk Assessment, Monitoring and Compliance Sub-Committee:**

The sub-committee will be meeting in the near future with the Law and Human Resources Department about internal whistleblower policies and procedures.

#### **Investment Policies Ad Hoc Sub- Committee:**

The sub-committee will be meeting in the near future with the Treasury Department.



Setti D. Warren  
Mayor

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Candace Havens  
Director

June 7, 2012

Gregory W. Sullivan  
Inspector General  
Office of the Inspector General  
One Ashburton Place  
Boston, Massachusetts 02108

Dear Mr. Sullivan:

In light of the Office of the Inspector General's (OIG) review of the City of Newton's federal Homelessness Prevention and Rapid Re-Housing grant last year, I write to assure you that the City will incorporate the OIG's recommendations and best practices as we begin a new fiscal year. While the City's HPRP grant is complete, the upcoming year will bring new opportunities to assist our low- and moderate-income citizens.

As we implement new programs, our first priorities are to ensure compliance with all governing regulations and to achieve the highest and best use of funds. We are able to achieve these goals by learning from past experiences and utilizing best practices, such as those you have described.

Thank you again for your guidance and investment in our shared objectives.

Sincerely,

Candace Havens, Director of Planning & Development  
City of Newton

RECEIVED  
Newton City Clerk  
2012 JUN 11 AM 11:09  
David A. Olson, CMC  
Newton, MA 02459

cc: Setti D. Warren, Mayor, City of Newton  
Anne Marie Belrose, Community Development Manager, City of Newton  
Financial Audit Advisory Committee, City of Newton

June 7, 2012

**Financial Audit Advisory Committee, City of Newton**  
**Internal Controls and Financial Policies & Procedures subcommittee**  
*Study Objectives and six-month work plan*

The City's Financial Audit Advisory Committee; independent auditors and management have agreed that the receipt-custody- disbursement cycle, with specific attention to the handling of cash transactions, is a high-risk area worthy of detailed review. The objective of this review will be:

- to identify any deficiencies in current controls that may result in loss or misappropriation of City assets and/or financial reporting errors;
- to identify any changes in procedures that could improve the efficiency of the city's handling of receipt and disbursement operations;
- to document current policies and practices specific to the handling of cash transactions (currency and coins), examining the transaction documentation, custody practices and timely transfer to the treasury by all city departments;
- to assess the costs and benefits associated with potential improvements in existing controls;
- to propose changes for which it is agreed that the likely benefit of the change outweighs any associated costs.

With the assistance of the City's Chief Financial Officer, Comptroller, and School Director of Finance , the subcommittee will undertake a review of the receipt-disbursement cycle, with particular attention to cash transactions. The review is expected to consist of the following phases:

- Phase I: Review of departmental collection policies and practices
- Phase II: Review of Treasurer-Collector office collection and custody policies and practices
- Phase III: Review of disbursement policies and practices

The Phase I work-plan is expected to include the following components:

- Identify all employees and offices outside of the treasury office that collect city revenues along with the type of receipts, type of transactions (cash, coin, check, electronic, etc.), and the approximate dollar amounts associated with each type of receipt and each type of transaction.
- Obtain a written description of the receipt collection process at each collection point from the individual(s) in each department with collection responsibilities, to be verified by the head of each department. This description will seek to identify the procedures followed for each type of revenue transaction. The Newton Public Schools Director of Finance will coordinate this effort for employees and departments of the Newton Public Schools and the Comptroller will coordinate it for municipal employees and departments.
- Evaluate the cash collection processes and policies at each point where currency and coin is handled, to determine risks that might result in loss or misappropriation of the receipts and/or errors in financial reporting.
- Identify and evaluate existing policies and practices regarding handling of departmental collections by the treasurer's office, including the receipt of currency and coin.

- Identify and evaluate options for mitigating identified risks and, where possible, estimate the cost and benefit expected from any changes in existing practices.

In accomplishing this review and examination, the subcommittee will seek the assistance of the Chief Financial Officer; School Director of Finance; and Comptroller as needed.

REPORT:

- Report to the full Financial Audit Advisory Committee on findings and recommendations.