

CITY OF NEWTON

FINANCIAL AUDIT ADVISORY COMMITTEE

ACCOUNTING and AUDIT SUB-COMMITTEE AGENDA

TUESDAY, MARCH 24, 2015

Room 211

3 PM

Review of the following individual department responses to the Auditor's Management Letter with representatives of the Inspectional Services Department, Information Technology Department, and the Executive Office

- Inspectional Services Account Receivables
- Information Technology Security and Controls

Respectfully submitted,

Gail Deegan, Chairman

## Inspectional Services Department (ISD)

### Comment

We identified the following deficiencies related to the ISD:

- The ISD does not maintain formal policies and procedures. Written policies and procedures would improve and standardize the ISD's financial policies and procedures. Without formalized written policies and procedures, the ISD is inherently subject to everyday inconsistencies in its operations. It is also difficult to measure performance and efficiencies without a baseline. The number of such inconsistencies can be minimized by the written codification of policies and procedures and insistence on adherence to them.
- The ISD performs reconciliations of fees by permit issued to cash receipts collected. However, the reconciliations are not signed and dated by the preparer and supervisory reviewer, nor are they filed for record-keeping purposes. Signing, dating and filing reconciliations would provide documented evidence of internal controls and create an audit trail.
- We reviewed ten (10) cash receipt turnover forms submitted by ISD to the Treasurer's Office for processing and recording to the general ledger. Four (4) of the 10 forms had to be revised and resubmitted due to small clerical errors. Additional efforts should be made to submit accurate, original turnover forms to reduce the risk of incorrect entries to the general ledger and to reduce the administrative burden of revising and resubmitting the forms to the Treasurer's Office.

### Recommendation

We recommend the ISD perform the following:

- Develop and implement written financial policies and procedures
- Implement procedures to sign, date and file reconciliations of fees by permit issued to cash receipts collected. The reconciliations should be signed and dated by preparer and supervisory reviewer.
- Strengthen procedures to prepare accurate, original cash receipt turnover forms

### Management's Response

Management is in agreement with this recommendation. The Audit Committee will meet with the Inspectional Services Department and Treasurer's Office in early 2015 to review plans for implementation of the recommendations.

## Information Technology

### Comment

Due to the importance of, and potential risks associated with, information technology as it relates to the City's operations, the periodic use of an independent third party to identify potential areas of weakness to the information technology environment is sound business practice. Our inquiries of the Information Technology Department identified that an independent third party has not recently been utilized to conduct various tests of the City's information technology systems.

### Recommendation

We recommend the City consider the cost/benefit of utilizing an independent third party to conduct various tests of the City's information technology environment, such as an Internal Vulnerability Assessment and/or General Controls Review.

### Management's Response

Management is in agreement with this recommendation. The Audit Committee will meet with the Information Technology Department; Financial Information Systems Department; and the City's independent auditors in early 2015 to discuss this recommendation in more detail and to develop a plan for funding and implementation.