

*** CANCELLED DUE TO INCLEMENT WEATHER ***

TOWN OF MANSFIELD

SPECIAL FINANCE COMMITTEE MEETING

Monday, February 2, 2015

Audrey P. Beck Building
Conference Room C
6:00pm

A G E N D A

1. Call to order
2. Approval of the minutes for January 12, 2015
3. Opportunity for Public Comment
4. Staff Reports
5. BlumShapiro – Financial & Operational Controls Review – Project Status Update
6. Communications/Other Business/Future Agenda Items
7. Adjournment

TOWN OF MANSFIELD
FINANCE COMMITTEE MEETING
MINUTES OF JANUARY 12, 2015

Members Present: Bill Ryan (Chair), Paul Shapiro, Virginia Raymond

Other Council Members Present: Betty Wassmundt, Alex Marcellino, Toni Moran

Staff Present: Cherie Trahan, Matt Hart joined at 6:08pm

Guests: Jeff Ziplow and Sam Weil - BlumShapiro

1. Meeting called to order at 6:02pm.
2. Approval of the minutes for December 8, 2014

Move to approve the minutes of December 8, 2014 by Virginia Raymond. Seconded by Paul Shapiro. Motion passed unanimously.

3. Opportunity for Public Comment – None
4. Staff Reports – Cherie Trahan reported that the annual audit is complete and Vanessa Rossitto from BlumShapiro will attend the February 9th regular meeting to review the results. The Finance Committee is also scheduled to have a February 2nd meeting for Jeff Ziplow to review the internal control review testing results.
5. BlumShapiro – Financial & Operational Controls Review – Project Status Update. Jeff Ziplow reviewed the Financial & Operational Controls Matrix and answered questions from the Committee. Jeff Ziplow reported that testing was completed and covered two fiscal years (periods of January, 2014 and November, 2014). He will review the testing results with the Committee on February 2nd.
6. Communications/Other business/future agenda items –
 - ⇒ Review & explanation of Personal Property Grand List Report
 - ⇒ Proposed Capital Improvement Budget Adjustments FY 14/15
 - ⇒ Parameters for building permit fee reductions
7. Adjournment. The meeting adjourned at 7:15pm.
Move to adjourn by Paul Shapiro. Seconded by Virginia Raymond.

Respectfully Submitted,
Cherie Trahan, Director of Finance



Town of Mansfield

Financial and Operational Controls Assessment

Phase I – Preliminary Test Results

Findings and Recommendations

January 2015

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I. Project Overview

A. Background

The Town of Mansfield (hereafter referred to as “Mansfield”) has reached a critical milestone where they are looking for recommendations that are accountable, transparent, and efficient, and will enhance internal controls and overall operations with the Finance Department. Mansfield hired Blum Shapiro Consulting, LLC (hereinafter referred to as “BlumShapiro”) to conduct an evaluation of financial and operational controls within the Finance Department’s operations. We performed an analysis of the existing operational processes, management systems, technologies, and core functions of key operational areas within the Town’s Finance Department. BlumShapiro interviewed the Finance Director and Accounting Manager as part of the assessment. We also received and analyzed over 30 documented policies provided by the Finance Department.

Our goal of the financial and operational assessment was to perform an analysis of existing financial controls and to provide guidance and recommendations that will enable the implementation of new and revised controls that are accountable, transparent, and efficient. In addition, BlumShapiro was asked to test both the current and proposed controls to evaluate their effectiveness.

B. Methodology

The goals and objectives of the financial and operational controls review included the following:

- Review the current operational processes, management systems, and controls of key operational areas within the Mansfield’s Finance Department.
- Perform a risk assessment of management’s ability to override controls.
- Identify control weaknesses within these areas and developing control improvements.
- Assess the roles and responsibilities of Finance Department staff.
- Review internal control procedures.
- Document the accounting policies and procedures in support of staff roles and responsibilities.
- Assess the current workflow practices and controls of the key financial operational areas.
- Review the current technologies used to process the aforementioned information.
- Document findings and gaps observed as part of the review.

I. Town of Mansfield Financial and Operational Controls Review – Project Overview

- Testing of both current and proposed controls
- Updating the accounting policies and procedures manual.
- Performing a cost analysis on services provided by the Finance Department
- Provide constructive and practical recommendations for re-engineering processes, enhancing internal controls and achieving potential change.

As a result of the aforementioned goals and objectives, the project team focused on the following:

1. Reviewed the current policies, procedures, protocols and physical processes managing the flow of information within and between the various operating areas. The following processes and functional areas were reviewed in detail:

- Purchasing/Accounts Payable
- Grants Management
- Accounts Receivable
- Revenue
- Cash Management
- Financial Reporting
- Closing Procedures
- Debt
- System Interfaces
- Bank Reconciliations
- General Ledger
- Payroll
- Capital Assets
- Budget
- General Reconciliations
- Accrued Expenses
- Credit Cards/P Cards
- Process for Other Entities

2. Confirmed current technologies to determine their effect on controls and overall operations. The project team reviewed the use of the financial management system (Admins Unified Community) and interfaces in order to assess the impact on controls on the financial and operational environment.
3. Evaluated current people and processes within the Finance Department to assess employee roles and responsibilities as they pertain to financial and operational controls.

The process was participative and consultative. The project team interviewed and consulted with Mansfield’s key financial management staff, including the Finance Director and Accounting Manager. Mansfield was given significant opportunity to contribute their thoughts and suggestions.

Common themes raised by the financial management staff included:

- There are several key controls processes that were undocumented
- The Town would benefit from improved communication between the Finance Department and Department Heads
- It has been a while since the financial controls have been fully reviewed
- Our policies and procedures need to be updated based on new processes and updated technologies.

C. Acknowledgements

BlumShapiro would like to thank the Town of Mansfield Finance Department for their participation, support, on-going dialog and feedback during the project.

D. Commendations

Although this report will identify a number of findings and recommendations as part of the financial and operational controls review, there are a number of very positive and successful initiatives that have had a significant positive impact on the overall operations within the Town. Outline below are some of those initiatives:

1. All staff was timely and well prepared for interviews and follow-up questions during this project.
2. All staff was eager to discuss process improvements and ideas for enhancement of existing controls.
3. All staff was open to constructive feedback and embracive of learning new processes.
4. Finance Director provided the project team with all documented policies and procedures along with a myriad of other documents supporting this project.
5. Although the Town’s policies and procedures have not been updated on a regular basis, the Town has over 30 documented policies that identify controls over their operations

A. Project Completion Status

This report marks the end of Phase I of the Financial and Operational Controls Assessment. The BlumShapiro project team has successfully completed all Phase I tasks, including:

1. Review Current Processes, Operations & Controls
2. Confirm Current Technologies
3. Evaluate Core Systems and Functions
4. Confirm Roles and Responsibilities of Staff
5. Perform Tests on Current Controls
6. Identify Opportunities for Improved Controls and Process
7. Develop Findings and Recommendations

Upon acceptance of this report, BlumShapiro will move forward with Phase II of the Assessment, including:

8. Update Accounting Policies and Procedures Manual
9. Perform Cost Analysis of Finance Department Services
10. Perform Test on Updated Controls

II. Mansfield Financial Overview

A. Finance Department

The Town of Mansfield Finance Department Consists of seven (7) employees:

1. Finance Director – reports to the Town Manager
2. Accounting Manager – reports to the Finance Director
3. Budget Analyst – reports to the Finance Director
4. Payroll Administrator – reports to the Accounting Manager
5. Accountant – reports to the Accounting Manager
6. Finance Clerk – reports to the Accounting Manager
7. Finance Clerk – reports to the Accounting Manager

B. Policies and Procedures

As part of our review, the Finance Director and Accounting Manager provided BlumShapiro with over 30 documented policies and procedures, including:

- | | |
|--|---|
| 1. Accounting for Rental of Town Buildings | 2. Assessor’s Office Policy And Training Manual |
| 3. Best Value Method Source Selection | 4. Use of Emergency Notification System |
| 5. Fixed Asset Procedures | 6. Fund Balance Policy |
| 7. Use of Merchant Gift Cards On Hand | 8. Purchase and Use of Merchant Gift Cards |
| 9. Mansfield BOE Fiscal Management | 10. Mansfield BOE Board Policies |
| 11. Mileage – Approved Distances | 12. Mileage Procedures |
| 13. Mileage Reimbursement Policy | 14. Ordinance for Obtaining Goods and Services |
| 15. Financial Management Performance Goals | 16. Personnel Rules |
| 17. Petty Cash Procedures | 18. Purchase Order Procedures |
| 19. Purchasing Card Policies and Procedures | 20. Worker’s Compensation Payroll Procedures |
| 21. Purchasing Procedures Manual | 22. Region 19 BOE Fiscal Management |
| 23. Collector of Revenue Standard Operating Procedures | 24. Professional Travel Policy |
| 25. BOE Budget Manual | 26. Vehicle Use Policy |
| 27. Working Cash and Petty Cash Vouchers | 28. Cellular Telephone Use Policy |
| 29. Exit Interview Checklist | 30. New Hire Checklist |

III. Test Results

Based on our evaluation of the Town’s current policies and procedures, BlumShapiro identified 36 financial controls that required testing. These 36 controls are “high-level” and encompassed the 50 detailed controls identified in the Controls Matrix. This catch-all was achieved by applying multiple “test procedures” (78 total) to many of the high-level controls. Consider test procedures as the individual actions taken to fully test a control. A single control may have test procedures that pass and other test procedures that fail.

We have created a ranking system for the controls that failed testing. Since the failing of one control can be considered more severe than another, we felt it was important to measure reasoning and impact level of a given failure.

Impact Level	Reasoning
High	The current control procedure is ineffective and needs to be entirely updated OR critical elements of the procedure are not being followed through with on a regular basis
Medium	The current control procedure needs some updates OR important elements of the procedure are not being followed through with on an occasional basis
Low	The current control procedure is effective but minor aspects are sometimes forgotten (ex: missing date or signature on a review document)

BlumShapiro will provide comprehensive result forms for each control tested. These forms will provide a detailed assessment of the effectiveness of controls currently in place within the Finance Department. Below we have provided a high-level overview of the 36 controls tested and their respective results:

III. Town of Mansfield Financial and Operational Controls Review – Test Results

Control Area	Control Subject	Control	Number of Test Procedures Applied	Test Results	Failure Impact Level	Failed Entity(s)
Accrued Expenses	BOE Expense Reimbursement	Advanced approval and supporting documentation/receipts are required as evidence for BOE expense reimbursement.	2	PASS	N/A	N/A
				PASS	N/A	N/A
Accrued Expenses	Mileage Reimbursement	Advanced approval on the Town's intranet site is required as evidence for mileage reimbursement.	1	PASS	N/A	N/A
Accrued Expenses	Travel Expense Reimbursement	Advanced approval is required for any travel expense reimbursements.	1	PASS	N/A	N/A
Administrative	New Hires	The Human Resource Department documents the onboarding process to ensure new hires are given appropriate access to Town resources.	3	PASS	N/A	N/A
				PASS	N/A	N/A
				PASS	N/A	N/A
Administrative	Terminations	The Human Resource Department documents the employee termination process to ensure terminated employees are removed from access to Town resources.	2	FAIL	High	Region 19
				FAIL	Medium	Region 19
Budget	Review of Town and BOE Budget estimates	Town management reviews and modifies all budget estimates prior to final appropriation by Town Council.	1	PASS	N/A	N/A
Capital Assets	Fixed Asset Management	Current policies and procedures outline what qualifies as a fixed asset, who is responsible for maintaining fixed assets, and how to dispose of fixed assets.	3	PASS	N/A	N/A
				PASS	N/A	N/A
				FAIL	Low	Town Region 19
Capital Assets	Fixed Asset Recordkeeping and Reconciliations	The Accounting Manager and Accountant work together to ensure all fixed asset recordkeeping is accurate and completed.	2	PASS	N/A	N/A
				PASS	N/A	N/A

III. Town of Mansfield Financial and Operational Controls Review – Test Results

Control Area	Control Subject	Control	Number of Test Procedures Applied	Test Results	Failure Impact Level	Failed Entity(s)
Cash Management	Petty Cash	The Town enforces withdrawal limits and approval controls to actively manage petty cash accounts.	4	PASS	N/A	N/A
				FAIL	Medium	Region 19 Discovery Depot
				FAIL	Medium	Region 19
				PASS	N/A	N/A
Cash Management	Daily Receipts	The Accounting Manager reviews daily revenue totals provided by the Collector's Office prior to creating a journal entry.	1	PASS	N/A	N/A
Cash Management	Cash Disbursements	The payroll distribution list is reviewed prior to sending check files to the bank. Bank transfers are not to be released by an employee who set the original transfer up.	2	PASS	N/A	N/A
				PASS	N/A	N/A
Chart of Accounts	Account Management	The Finance Director, Accounting Manager and Budget Analyst are the only users in the FMS with the ability to add new accounts to the Chart of Accounts.	2	Will Test in Phase 2	N/A	N/A
				Will Test in Phase 2	N/A	N/A
Closing Procedures	Monthly Procedures	The Accounting Manager reconciles bank statements on a monthly basis.	2	PASS	N/A	N/A
				PASS	N/A	N/A
Closing Procedures	Informal Financial Close	The Accounting Manager and Finance Director perform an informal financial close in preparation of the financial statements to be reviewed by the Finance Committee.	3	PASS	N/A	N/A
				PASS	N/A	N/A
				PASS	N/A	N/A
Closing Procedures	Formal Financial Close	The Accounting Manager and Finance Director perform the formal financial close.	2	PASS	N/A	N/A
				PASS	N/A	N/A

III. Town of Mansfield Financial and Operational Controls Review – Findings & Recommendations

Control Area	Control Subject	Control	Number of Test Procedures Applied	Test Results	Failure Impact Level	Failed Entity(s)
Financial Management System Administration	User Administration	Only authorized employees have administrative rights in the FMS. The Accounting Manager is solely responsible for adding and removing user.	3	Will Test in Phase 2	N/A	N/A
				PASS	N/A	N/A
				PASS	N/A	N/A
Financial Management System Administration	System Security	Users of Admins Unified Community must first authenticate to Active Directory, and then authenticate with a separate user ID and password, before gaining access to the system.	2	PASS	N/A	N/A
				PASS	N/A	N/A
Grant Management	Grant Reporting and Tracking	The Finance Department must receive a copy of the Grant Award Letter before the Grant Administrator is allowed to spend any of the funds. However, not all grants are actively tracked by the Finance Department, so this control applies only to those being t	2	PASS	N/A	N/A
				PASS	N/A	N/A
Journal Entries	Posting Permissions	Only authorized employees have the ability to post journal entries in the FMS.	1	PASS	N/A	N/A
Journal Entries	Review Procedures	All journal entries are reviewed and approved by a supervisor prior to getting posted to the General Ledger. At this time, the involved employees do not follow a uniform process.	3	PASS	N/A	N/A
				PASS	N/A	N/A
				FAIL	Low	Town
Payroll	Timekeeping and Payroll Runs	Employee hours are reviewed and approved prior to checks being distributed. At this time, standardized timesheets do not exist for each Department.	3	FAIL	Medium	Region 19
				FAIL	Low	Town
				PASS	N/A	N/A
Payroll	Employee Pay Validation	The Finance Department performs a pay-period estimate to ensure that calculated employee pay is equivalent to what is entered into the FMS.	1	Not Tested - No Evidence of Completion	N/A	N/A

III. Town of Mansfield Financial and Operational Controls Review – Findings & Recommendations

Control Area	Control Subject	Control	Number of Test Procedures Applied	Test Results	Failure Impact Level	Failed Entity(s)
Purchasing/AP	Purchase Order Processing	Accounts Payable is responsible for maintaining purchasing records and matching checks against corresponding purchase orders and invoices.	4	PASS	N/A	N/A
				FAIL	Low	Town
				PASS	N/A	N/A
				PASS	N/A	N/A
Purchasing/AP	Expensive Purchases	The Finance Director must review and approve purchases in excess of \$5000.	2	PASS	N/A	N/A
				FAIL	Medium	Town
Purchasing/AP	Gift Card Management	The purchase of gift cards must be approved and inventoried.	3	PASS	N/A	N/A
				PASS	N/A	N/A
				PASS	N/A	N/A
Purchasing/AP	Purchasing Card Policies	Employees granted P-Cards must sign the Cardholder Agreement Form and the Credit Card Use Policy.	2	PASS	N/A	N/A
				PASS	N/A	N/A
Purchasing/AP	Purchasing Card Spending Limits	Employees granted P-Cards are held to daily and monthly spending limits.	2	PASS	N/A	N/A
				PASS	N/A	N/A
Purchasing/AP	Purchasing Card Expense Reporting	Employees granted P-Cards are required to disclose their monthly spending to the Finance Department.	3	PASS	N/A	N/A
				PASS	N/A	N/A
				FAIL	Low	Town
Revenue/Receivables	Recording Daily Revenues	The receipt and recording of daily revenues (cash and checks) requires the use of standardized forms and review by the Collector's Office and the Finance Department.	3	PASS	N/A	N/A
				PASS	N/A	N/A
				PASS	N/A	N/A

III. Town of Mansfield Financial and Operational Controls Review – Findings & Recommendations

Control Area	Control Subject	Control	Number of Test Procedures Applied	Test Results	Failure Impact Level	Failed Entity(s)
Revenue/Receivables	Short and Over Adjustments	Discrepancies over \$1.00 in the recording of daily revenues are adjusted manually to ensure accurate reporting. A separate Report of Collections is filled out to complete this process.	1	Will Test in Phase 2	N/A	N/A
Student Activity Fund	Fund Management Procedures	The Superintendent's Office and the Finance Department are responsible for overseeing the account. Only authorized employees are allowed to sign account checks. The Superintendent's approval is required for month-end account replenishment.	3	PASS	N/A	N/A
				FAIL	High	Town Region 19 BOE
Athletic Account Activity Fund	Fund Management Procedures	The Superintendent's Office and the Finance Department are responsible for overseeing the account. Only authorized employees are allowed to sign account checks. The Superintendent's approval is required for month-end account replenishment.	3	FAIL	High	Town Region 19 BOE
				PASS	N/A	N/A
System Interfaces	Interface Security	Admins Unified Community, Quality Data Services and Vision Systems are the applications in use that have data with financial reporting implications. No electronic interfaces exists between the financial systems.	2	PASS	N/A	N/A
				PASS	N/A	N/A
Vendor Management	Adding a Vendor to File	The ability to add vendors in Admins Unified Community is limited to authorized employees only. No formal process for reviewing vendors prior to addition to file exists at this time.	1	PASS	N/A	N/A
Vendor Management	Vendor Payment Verification	Payments to vendors (checks) are reviewed by Accounts Payable prior to being distributed.	2	PASS	N/A	N/A
				PASS	N/A	N/A
Use of Town Cellphones	Acceptable Use Policy	Employees granted a Town-owned cellphone are required to adhere to the Town's acceptable usage policy.	1	PASS	N/A	N/A

IV. Findings & Recommendations

Findings:

1. Journal Entry Review Processes Needs to be Standardized

- a. The Finance Director, Accounting Manager, Budget Analyst and Accountant are responsible and have system access rights for posting journal entries
- b. All journal entries are reviewed before posting
 - i. The Accounting Manager reviews the Accountant’s journal entries
 - ii. Finance Director reviews the Accounting Manager’s and Budget Analyst’s journal entries
 - BlumShapiro found that one Budget Analyst journal entry was posted without any review or sign-off
 - Per discussion with the Accounting Manager, any unapproved journal entries are discovered during the quarterly review of all journal entries – reconciled with their approval emails
- c. Currently there are three methods being utilized to review journal entries
 - i. Hard-copy review with manual sign-off
 - ii. Email approval with email sign-off
 - iii. Monthly review of journal entry report with manual sign-off
- d. A lack of a single formalized process makes it harder to track previous entries and ensure proper sign-off prior to posting

Recommendation:

1. Develop A Single Formalized Procedure For Reviewing And Posting Journal Entries

- a. The three (3) review and approval processes currently in place should be consolidated into a single process
- b. Strictly enforce the requirement of Finance Director and/or Accounting Manager approval for all journal entries
- c. Request and document all journal entry approvals via email
 - i. Archive the emails in folders that are labeled in accordance with the General Ledger
 - ii. Copy the Finance Director on every journal entry email
- d. Document the formal procedures in a policy by outlining step by step instructions

Finding:

2. Financial System Administration Controls Need Improvement

- a. The Accounting Manager is responsible for adding new users, removing terminated users and modifying access rights in ADMINS Unified Community (AUC)
- b. A single formalized process for notifying the Accounting Manager of a new employee needing access, or a terminated employee needing removal, does not exist
 - i. Inability to track who requested changes
 - ii. Threat of unauthorized access by non-employees
 - iii. Possibility of inappropriate access rights for unauthorized employees

Recommendation:

2. Develop A Shared Human Resources and Finance Policy For Administering AUC Accounts

- a. Account modification requests must be sent directly to the Accounting Manager via email
 - i. Requests must come directly from Human Resources
 - ii. The email request must identify the specific system resources to be added or removed
 - iii. All emails must be archived in an AUC folder
 - iv. Phone calls and in-person modification requests cannot be accepted
- b. Conduct an annual user access review
 - v. HR needs to provide a list of terminated employees which gets vetted against users in AUC
 - vi. Accounting Manager performs the review and the Finance Director signs off
- c. Document the formal procedures by outlining the responsibilities of HR, Department Heads and Finance

III. Town of Mansfield Financial and Operational Controls Review – Findings & Recommendations

Finding:

3. There Is A Lack Of Controls Over Adding Vendors To The Accounts Payable Vendor File
 - a. The Accounting Manager, Finance Clerk and Payroll Administrator have the ability the add vendors in AUC
 - b. Currently this process is informal, unmonitored and undocumented
 - i. Increased risk of fraudulent vendors being created/getting paid
 - ii. No management sign-off enforced prior to vendor creation

Recommendation:

3. Institute A Thorough Approval And Review Process For Adding New Vendors To The Financial System
 - a. Requests for a new vendor are to be made through email only
 - i. All requests must be forwarded to the Accounting Manager and/or Finance Director for review and approval
 - ii. Request and approval emails must be archived in an AUC folder
 - b. Formally review the vendor file on a quarterly basis
 - vii. Run a report identifying new vendors in AUC and confirm who added the vendor, when it was added and if the vendor is appropriate
 - viii. Finance Director and/or Accounting Manager need to review the report and sign off
 - c. Document the formal procedures by outlining the responsibilities of Department Heads and Finance

Finding:

4. Vendor Payments Require Additional Review Prior To Distribution

- a. The Finance Clerk is the only employee verifying checks against invoices to confirm proper payment to vendors
 - i. A second employee does not complete the same review
 - ii. No sign-off process exists to confirm that the review is actually being completed
 - iii. Currently only the “paid” stamp signifies Finance Clerk involvement – a separate document, nor the Finance Clerk’s signature on the purchase order exist to verify that the matching process was completed
- b. The lack of a stringent review process could lead to improper checks getting cut and distributed to vendors

Recommendation:

4. Implement A Secondary Review Of Vendor Payments Prior To Distribution

- a. A second employee outside of payables needs to review check runs
 - i. This process must include a thorough review of purchase orders, matching invoices and associated checks
 - ii. The assigned reviewer must sign and date the batch once the review is completed
 - iii. Any discrepancies must be brought to the immediate attention of the Finance Director and Accounting Manager
- b. Train the assigned reviewer what to look for when reviewing the check runs
 - i. Formally document how to properly match purchase orders, invoices and checks
 - ii. Teach the reviewer to pay close attention to check numbers and a matching of money coming in and going out

III. Town of Mansfield Financial and Operational Controls Review – Findings & Recommendations

Finding:

5. Purchasing Controls And Oversight Of Department Heads Needs To Be Improved

- a. Only purchases above \$5,000 require approval from the Finance Director
- b. There is not enough clarity for when to use the Best Value Method Source Selection form
 - i. BlumShapiro testing found that one purchase order in excess of \$7,500 was processed without the completion of the Best Value Method Source Selection Form – a document for Department Heads to complete for purchases in excess of \$7,500 that do not go out to bid
 - The Finance Director noted that use of this form has not been enforced on a regular basis
- c. Departments are approving their own requisitions without Finance Department review and approval
 - i. School requisitions require Superintendent approval but Town Departments only require Department Head approval
 - ii. The payables review process cannot be solely relied on to catch all purchasing errors
 - iii. There is a standing belief that some Department Heads are not reviewing purchase requests and simply approve any and all requisitions
- d. An AUC automated control has not been identified to prevent Department Heads from spending over budget

Recommendation:

5. Implement An Approval Control To Reduce The Purchasing Authority Of Department Heads

- a. The Finance Department needs to be approve all Town requisitions after Department Head approval
 - i. Implement a second approval stage in ADMINS that requires Finance Director or Accounting Manager action
 - ii. Decreases the likelihood that departments spend over budget
 - iii. Prevents Department Heads from making purchases before creating the purchase order
- b. Require Department Heads to make emergency purchases via p-card
- c. Train Department Heads how to look for fraudulent spending
- d. Implement an aggregate purchase order threshold for select vendors
- e. The Finance Director must review quarterly reports with Department Heads
 - iv. Encourage best practices and increased communication regarding spending
- f. Document these procedures in a formal policy

III. Town of Mansfield Financial and Operational Controls Review – Findings & Recommendations

Finding:

6. Purchasing Card Controls and Oversight Need Improvement

- a. Cardholders are responsible for recording their p-card purchases online and applying them to the correct account codes
 - i. The Finance Department is unable to detect over-budget spending until the account codes are entered
 - ii. There are formalized controls enforcing cardholder to enter their codes in a timely manner
 - iii. The Finance Department cannot reconcile p-card purchases until all codes are entered
- b. The Finance Department reviews bank-provided p-card expense reports on a monthly basis
 - i. BlumShapiro testing found that two (2) cardholder reports lacked a signed review from the Finance Department
 - Only a red check mark signified review, no date or signature
 - BlumShapiro acknowledges the reconciliation as an effective control and we encourage the practice of signing and dating the review moving forward
- c. Some cardholders have unnecessarily high daily and monthly spending limits
- d. A number of credit cards (i.e. Home Depot, Big Y, etc.) are active

Recommendation (1):

6a. Document And Enforce P-Card Oversight Controls

- a. P-Card holders must be required to reconcile purchases and enter appropriate account codes by a month-end deadline
 - i. The Finance Department must freeze the p-cards of holders who do not complete the account code entry process by the month-end deadline
 - ii. A formal reconciliation report must be completed and signed by p-card holders and supplied to the Finance Department
 - iii. Supporting receipts and documentation must still be submitted to the Finance Department for all p-card purchases

Recommendation (2):

6b. Enhance The P-Card Review Process

- b. The Finance Department must continue reviewing p-card purchases on a monthly basis
 - i. Confirm there is no backlog of purchases that need reconciliation
 - ii. A signature and date must be included to evidence the review process
- c. Conduct an annual review of terminated employees against p-card holders
- d. Conduct an annual review of all p-card holders
 - iii. Confirm the daily and monthly spending limits for each cardholder and adjust accordingly
 - iv. Remove non-essential purchasing cards from employees that do not need them due to job function
- e. Document the responsibilities of p-card holders and the Finance Department in a formal policy

Recommendation (3):

6c. Eliminate The Use Of All Credit Cards By Mansfield Employees

- a. Immediately shut off all existing credit cards
- b. Forbid the use of credit cards for any Town purchases in the updated p-card policy

Finding:

7. Current Timesheet Completion Practices May Lead To Payroll Inaccuracies

- a. The standard Excel spreadsheet used for time-entry is being completed by various departments in different ways
 - i. BlumShapiro testing discovered that some timesheets were approved without a signature from the associated Department Head
 - ii. There is a greater chance of improper payroll processing due to a lack of strict timesheet protocols
 - Controls testing found that one (1) Region 19 tutor was paid without the completion of a standard timesheet: no Department Head approval was present either
 - iii. Finance has not addressed this issue with the various departments
- b. The Parks and Recreation Department is no longer providing individual timesheets
 - i. A combined employee time-entry spreadsheet gets sent to Payroll
 - ii. Parks and Recreation did not seek approval from the Finance Department before implementing this change
- c. There is a standing belief that Department Heads are not thoroughly reviewing timesheets prior to signing them

Recommendation:

7. Implement New Controls Over The Current Time-Entry And Payroll Procedures

- a. Create a standard time-entry spreadsheet for each entity in payroll
 - i. Eliminates the problem of the current spreadsheet being completed in different ways
 - ii. Helps Payroll easily identify which employees belong to which entities
 - iii. The spreadsheet's unique identifiers will reduce payroll entry errors
- b. Coordinate with Parks and Recreation to determine a suitable way to complete the time-entry process
- c. Train Department Heads to put greater emphasis on reviewing timesheets for misrepresentation
- d. Document these procedures in a formal policy

Finding:

8. Payroll Review And Validation Processes Need Improvement

- a. The Payroll Clerk is responsible for reviewing payroll runs by balancing timesheets to a system generated report
 - i. The review is intended to confirm accuracy of the hours entered
 - ii. BlumShapiro testing found that only one (1) employee’s timesheet was not properly validated against the ADMINS Unified Community generated report – only a check mark was present, no date or signature by the Payroll Clerk
- b. A pay period estimate is completed to ensure that calculated employee pay is equivalent to what is entered into ADMINS Unified Community
 - i. At this time, the pay period estimate is not documented and approved

Recommendation:

8. Confirm That All Elements Of The Payroll Validation Process Are Completed On A Regular Basis

- a. Require the Payroll Clerk to sign and date the review of payroll runs
 - i. Consider enforcing a secondary review of payroll runs to ensure accuracy
- b. Formally document and sign all pay period estimates to evidence completion

Finding:

9. Grants Processing Lacks Approval Controls And Tracking From The Finance Department

- a. Grant applicants are currently independently responsible for administering grant funds
 - i. Many applicants do not provide grant information to the Finance Department in a timely manner
 - ii. Some grants are untracked by the Finance Department
 - iii. Only educational grants are reviewed by the Budget Analyst on a monthly basis
- b. Applicants do not seek the approval of the Finance Department before applying for a grant
 - i. Negative gain grants may be getting processed due to a lack of cost-benefit analysis by the Finance Department

Recommendation:

9. Institute Grant Application Controls To Involve The Finance Department In Approving And Tracking All Grants

- a. Draft a formal policy holding grant applicants to strict procedures
- b. Enforce applicants to communicate clear reasons for pursuing the grant
 - i. The Finance Department must perform a cost-benefit analysis to ensure the grant is worth pursuing
- c. Grant applicants must provide detailed grant information to Finance for tracking purposes, including
 - i. The grant's purpose
 - ii. The grant's provider
 - iii. The grant's requirements
- d. Town grant applications must require Finance Director and Town Manager approval before submission to Town Council
- e. School District grant applications must require Finance Director and Superintendent approval before submission to the Board of Education

Finding:

10. Control Procedures For Monitoring Student and Athletic Activity Funds Need To Be Enforced

- a. Mansfield Middle School and Regional School District 19 (High School) are the entities with Student and Athletic Activity Funds
- b. The Schools are responsible for recording Student and Athletic Fund activity on a separate ledger
 - i. The Finance Department has limited knowledge of who performs record keeping or who has access to the fund ledger
 - ii. There is an evident possibility that record keeper(s) intentionally or unintentionally misrepresent the true fund balance
- c. Supporting documentation is required when a request is made for expense reimbursement
 - i. There is no formal policy indicating who is assigned to sign off on the supporting documentation
 - ii. There is a standing belief that some reimbursements get processed without a signature on the supporting documentation
- d. A formal reconciliation between the schools' records and the actual account activity is not completed following strict standards
 - i. Per discussion with the Accounting Manager, BlumShapiro learned that the Finance Department does not perform the bank reconciliation for the Mansfield Middle School Student Activity Fund – an administrator for the school is responsible
 - Finance is only responsible for reimbursing the account
 - ii. Currently the Finance Department reconciles reimbursement vouchers against the school-provided ledger but not against the monthly bank statements
- e. Town policy indicates that copies of all checks drawn must be attached to the reimbursement voucher
 - i. This practice is not enforced
 - ii. Copies of checks drawn are only found on the monthly bank statements
 - iii. BlumShapiro testing revealed that some checks were processed without approval signatures from designated administrators
 - iv. BlumShapiro testing also confirmed that some checks were written to “blank” and still processed

Recommendation:

10. Develop Formalized Control Procedures To Manage and Monitor Student and Athletic Activity Funds

- a. Two (2) employees must sign the collections form verifying the amount to be deposited for a particular event
- b. Employees authorized to sign off on collection forms and reimbursement requests must be clearly documented
- c. Employees responsible for recording fund activity on the school side must be documented
 - i. Document all employees with access to the ledger that records fund activity
- d. Prohibit any reimbursements without signatures accompanying the supporting documentation
 - i. Enforce Region 19 and Mansfield Middle School to have copies of all checks drawn to accompany the reimbursement vouchers
 - ii. Investigate any checks written out to “blank”
- e. Enforce a more robust reconciliation process
 - i. The Finance Department should be responsible for reconciling the Mansfield Middle School Student Activity Fund, not a school administrator
 - ii. Reimbursement vouchers need to be reconciled against the monthly banks statements in addition to the schools’ check registers
- f. Document the control procedures in a formal Student and Athletic Activity Fund policy
- g. Conduct annual reviews of the operational procedures being followed for managing Student and Athletic Activity Funds

Finding:

11. Petty Cash Reimbursement Control Processes Need Improvement

- a. To apply for cash reimbursement, town policy indicates that employees must gain Department Head and Finance Department approval, and provide original copies of receipts.
 - i. BlumShapiro testing found that some reimbursements are occurring without evidence of the expenses incurred (lack of original receipts)
 - Mainly minor expenses go approved without receipts (UConn Dairy bar trips, etc.)
 - Original receipts are important to clearly evidence expenses
 - ii. BlumShapiro noted that one employee for Region 19 has been approving her own reimbursements
 - This employee is a Petty Cash Administrator and is responsible for approving reimbursements in her department
 - Finance Department approval was evident in this case

Recommendation:

11. Administer Uniform Approval Processes For All Levels Of Petty Cash Reimbursement

- a. Tighten approval controls to ensure that no reimbursements get processed without original copies of receipts
 - i. Town employees should retain original copies of receipts even if the expense is considered minor
 - A high number of minor reimbursements over time has the potential to add up to a major expense for the Town
- b. Assign a secondary approver for Petty Cash Administrators currently approving their own reimbursements
 - i. No town employee should have the ability to approve their own reimbursements before the voucher is submitted to the Finance Department.
 - ii. Enhance the current review process to prevent Petty Cash Administrators approving their own reimbursements

Finding:

12. Current Employee Termination Procedures Lack Consistency

- a. The Town, Mansfield Board of Education, Region 19, Eastern Highlands Health District and Mansfield Discovery Depot all follow separate procedures for terminating a person's employment and ultimately removing them from payroll
 - i. Mansfield Board of Education requires completion of an Exit Interview Checklist but the other entities do not
 - ii. There is no standard acceptance criteria for maintaining termination correspondence in the employee's record for Region 19
 - Ex: Email from the Department Head requesting the individual be removed from payroll
- b. Region 19 Human Resources does not maintain termination correspondence for work study and student labor employees
 - i. Human Resources relies on notification from EastConn to remove a work study employee from the payroll system
 - Some EastConn administrators are more diligent than others
 - ii. Human Resources does not receive any notification to remove student labor employees from payroll
 - Administrators are expected to know when a student graduates as indication to remove them from payroll
 - iii. BlumShapiro testing discovered that one (1) work study employee and one (1) student labor employee were removed from payroll without any form of termination correspondence on file
- c. Terminated employees remaining in the payroll system increases the chance of payroll inaccuracy

Recommendation:

12. Implement A Standard Employee Termination Process For All Managed Entities

- a. Develop an Exit Interview Checklist that can be applied to terminated employees for all managed entities
 - i. The completed form must remain in the employee's record
 - ii. Include a section that indicates the employee was removed from payroll
 - iii. Require signature from the employee's supervisor and a Human Resources administrator
- b. Require all terminated employees to have some form of termination correspondence on file
 - i. Supervisors need to email Human Resources and request that an employee be removed from payroll
 - This step must be taken immediately following an employee's departure
 - ii. The email should be printed, signed and maintained in the employee's record
 - iii. Termination correspondence provides additional evidence that an employee is no longer employed and that the proper steps were taken to remove them from payroll
- c. The new employee termination procedures need to be clearly outlined in an updated policy

III. Town of Mansfield Financial and Operational Controls Review – Findings & Recommendations

Finding:

13. Many Existing Control Processes Would Benefit From Supporting Dates and Signatures As Evidence Of Completion

- a. Currently the Finance Department conducts a number of review and approval processes, but BlumShapiro testing revealed that some of them are not consistently completed with a supporting signature and/or date
 - i. Daily Revenue Sheet and Report of Collections reconciliations
 - ii. Payroll Clerk review of pay period totals against the Admins Unified Community generated report
 - iii. Journal Entry approvals
 - iv. Pay Period Estimate
 - v. Purchasing Card expense report reconciliations
- b. Some control documentation that require signatures and dates are being processed without the former
 - i. Fixed Asset Disposal forms
 - ii. Department Head approval of employee timesheets
 - iii. Petty Cash Reimbursement vouchers

Recommendation:

13. Require Accompanying Signatures And Dates Upon The Completion Of Formal Reviews And Documentation

- a. Signatures and dates provide an indication of who completed a review/approval and when it was completed
 - i. Improves overall transparency and tracking

A. Updated Policies and Procedures

Testing of Mansfield's documented policies and procedures, in addition to discussions with the Finance Director and Accounting Manager, assisted in identifying control procedures that need formal documentation. Based on the aforementioned Findings and Recommendations, BlumShapiro strongly recommends the development of new control policies:

1. New Hire and Employee Termination Procedures

- The Town needs to develop a uniform procedure for adding and removing employees (for all managed entities) from the payroll system and create a policy document that outlines the expectations of Department Heads and Human Resources.

2. Review and Posting of Journal Entries

- The process and responsibilities for reviewing and approving journal entries for the Accounting Manager, Budget Analyst and Accountant should be clearly outlined.

3. Procedures for Adding and Removing Users from the Financial Management System

- Documented procedures indicating that the Accounting Manager must receive an email request in order to add or remove users should be distributed to all Department Heads.

4. Procedure for Adding New Accounts to the Existing Chart of Accounts

- Documented procedures indicating that the Accounting Manager must receive an email request in order add new account should be part of the Finance Department's procedures.

5. Employee Time-Entry Procedures

- The Town needs to develop a uniform time-entry process and create a procedures document that outlines the expectation of employees, Department Heads and the Finance Department.

6. Release of Grant Funds

- Documented instruction to provide a copy of the grant award letter to the Finance Department needs to be available to all Town departments – with the inclusion that funds will not be released until the letter is provided.

7. Procedures for Validating Payments to Vendors

- The Finance Department needs to document step-by-step procedures for validating purchase orders, invoices and associated checks – with the inclusion that the Finance Clerk signs and dates the review process.

8. General Requisition Procedures

- Document a policy that explains that all requisitions require Finance Department approval and include instructions for using the Best Value Source Selection Form
- Alert Department Heads that select vendors will have an aggregate purchase order threshold applied

9. Purchasing Card Control Procedures

- Develop a procedural document for the Finance Department that explains the proper way to review p-card expense report and instructs Finance staff to review p-card holders and spending limits on an annual basis

Although the Town needs to generate a complete set of new policies and procedures, BlumShapiro has identified a few current policy documents that contain substantial control information. We feel these documents would benefit from procedural updates as opposed to a complete overhaul:

10. *Region 19 Board of Education Fiscal Management*

Mansfield Board of Education Fiscal Management

- Step-by-step procedures for completing the collection, reimbursement and reconciliation processes, for all Student and Athletic Activity Funds, need to be included in what documentation exists regarding the funds.

11. *Purchasing Procedures Manual*

- Procedures for requesting and approving payments over \$5,000 should be included as part of the policy.
- Include detailed instructions for using the Best Value Source Selection form

12. *Petty Cash Procedures*

- Instructions that Petty Cash Administrators cannot sign for their own reimbursement vouchers should be included
- Greater emphasis that original receipts are required for reimbursement regardless of the expense amount

Overall, the Finance Department should collaborate with Department Heads and Human Resources to develop step-by-step procedures that thoroughly encompass the aforementioned control procedures. These procedures need to be made available to all Town employees. Furthermore, it should fall on the responsibility of Department Heads to keep their employees up-to-speed with any applicable policies and procedures.