


Memo

To: Mayor McConnell and Assembly Members
From: Mike Middleton
CC: Mark Gorman, Jay Sweeney  18 MAR 14
Date: 3/18/2014
Re: FY 2013 Audit

Mayor and Assembly Members,

The audit for fiscal year 2013 is being presented at the 3/25/14 Assembly meeting. The audit is an Unqualified Opinion – meaning in the auditors' opinion the financial statements accurately present the financial position of the City and Borough in all material respects (page B-2 of CAFR).

The auditors did have some items come up that are required to be reported. The audit has one Significant Deficiency and two Material Weaknesses. These are specific accounting terms and are defined for you in the Audit Wrap-up from BDO (page 6).

A Significant Deficiency is automatically required if the auditor finds a material entry that was not done. Management then does the entry, but it is a required reporting event. The audit had one Significant Deficiency.

A Material Weakness is either a repeated Significant Deficiency from the prior year or a larger potential misstatement. The audit has two Material Weaknesses, one for reconciliations which is a repeat from last year and another for the recording of the bonding – since this was a large entry, it rated a Material Weakness.

We believe the audit is good overall, and it is not unusual to have the conditions above reported. At the same time, we are striving to improve the performance of the Finance team on the processes. While we are never satisfied to have audit findings, we maintain that they are associated with growth and improvement of the department as a whole. Improvement does not come without pain. Key elements of change and improvement which are associated with the weaknesses and which we continue to strive to improve are the following:

- Change in management philosophy – management is working to change the way the department approaches the function. This involves a learning curve for staff
- Delegating and pushing accounting tasks down – this is training and empowering the staff to work independently and at a higher level. While this is increasing staff skill levels, items will be missed as part of the learning curve.
- Transparency of data – the data we are providing to the auditors has been easier to access than in prior audits through the use of technology.
- Increase in Grant reporting complexities – this is constantly growing area. Each year it grows.
- New Government Accounting rules (standards) – this takes more time and changes the accustomed patterns and processes.
- During the audit this year, the department was working on implementing the new Enterprise Resource Planning (ERP) software. This provided a distraction which contributed to the items noted by the auditors.

Management is working to address these items.