

Legislation Text

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Authorizing City Council's Committee on Finance to conduct a full and comprehensive investigatory public hearing to review the corrective audit of the consolidated cash account as well as the accompanying corrective action plan upon completion of the audit performed by the firm Horsey, Buckner & Heffler, LLP.

WHEREAS, Timely bank reconciliations are a basic, normal and critical component of a set of "internal controls" that public companies, municipalities, and other large organizations employ and are required to have; and

WHEREAS, Internal controls are intended to identify and thwart "errors and irregularities" and to "safeguard assets" as irregularities include theft and fraud; and

WHEREAS, Errors and irregularities within the cash disbursement system cannot be found without a timely bank reconciliation, which is employed to safeguard assets as part of a normal set of internal controls; and

WHEREAS, Timely bank reconciliations uncover the difference between the bank's balance and the organization's cash balance in its general ledger; and

WHEREAS, Reconciling differences include outstanding checks (not cashed), deposits in transit, bank charges and credits not booked and other, miscellaneous differences; and

WHEREAS, If there are errors (transposition of numerals) or irregularities (theft or fraud) they may be found through the reconciliation process; and

WHEREAS, There are at least four general ledger accounts that the City has not reconciled for several years; and

WHEREAS, During the course of the budget hearings for fiscal year 2019, it has become clear that multiple Administrations have failed to ensure that all of the City's accounts are reconciled in a timely manner and such unreconciled accounts involve billions of dollars; and

WHEREAS, The "Office of the City Treasurer Auditor's Report" for fiscal years 2005-2006, produced by the Office of the Controller on August 29, 2008 indicated that the "Treasurer had not prepared bank reconciliations for 61 out of 66 cash accounts for over 11 months"; and

WHEREAS, The "Office of the City Treasurer Auditor's Report" for fiscal years 2007-2009, produced by the Office of the Controller on October 31, 2012 again observed that the Treasurer's Office did not timely reconcile these accounts; the report stated that "[t]he delays between the bank statement dates and the preparation dates of the reconciliations ranged from two to five months. It should more appropriately be about one month"; and

WHEREAS, The October 2012 Auditor's Report further noted "several control deficiencies in the Treasurer's Office operations that required management's attention. Most of the deficiencies were addressed in previous

reports, but still remain uncorrected;” and

WHEREAS, Additionally the October 2012 Auditor’s Report states that “[d]elays in preparing the reconciliations [of the six accounts reviewed] increase the risks that errors and/or irregularities, if they occur, will not be found timely;” and

WHEREAS, According to the October 2012 Auditor’s Report the “Treasurer’s Office consolidated cash account had 55 reconciling items over one year old;” and

WHEREAS, The consolidated cash account is where the City collects all tax receipts including real estate taxes, wage taxes, transfer taxes, Business Income & Receipts Tax (“BIRT”), Net Income and Gross receipts tax, parking tax, sugar sweetened beverage tax and sales tax; and

WHEREAS, In fiscal year 2010 the “Report on Internal Control and on Compliance and Other Matters” produced by the Office of the Controller on July 14, 2011 referenced reconciliations still not being performed; and

WHEREAS, According to the “Report on Internal Control and on Compliance and Other Matters” for fiscal year 2015 produced by the Office of the Controller on July 14, 2016, “Over 85 percent of accounts had not been reconciled until more than two months after fiscal year-end. In one glaring instance, the last reconciliation on file for the city’s payroll disbursement account was September 2010”; and

WHEREAS, Additionally the July 2016 report indicates that the general disbursement account has not been reconciled since April of 2012; and

WHEREAS, The City’s Comprehensive Annual Financial Report (“CAFR”) for fiscal year 2015 highlights weaknesses and deficiencies contributed to errors exceeding \$1 billion; and

WHEREAS, The City Treasurer has hired the firm Horsey, Buckner & Heffler, LLP to reconcile only the consolidated cash account; and

WHEREAS, During budget hearings for fiscal year 2019, the Treasurer testified that there are plans in place to reconcile the general ledger accounts and correct any deficiencies; and

WHEREAS, It is critical to conduct an investigatory hearing at the conclusion of the corrective audit to review the audit and the corrective action plan; and

WHEREAS, It is crucial to discuss the timetable for upgrading the bank reconciliation systems as it pertains to these financial accounts; and

WHEREAS, It is essential that the following topics are discussed during the investigatory hearing: understand what happened; make sure all accounts are reconciled; recover missing monies, if any; and implement systems to ensure such issues will not arise again; now, therefore, be it

RESOLVED, THAT THE COUNCIL OF THE CITY OF PHILADELPHIA, Authorizes City Council’s Committee on Finance to conduct a full and comprehensive investigatory public hearing to review the corrective audit of the consolidated cash account as well as the accompanying corrective action plan upon completion of the audit performed by the firm Horsey, Buckner & Heffler, LLP; and to consider what further

actions are required to ensure that the City routinely completes timely reconciliations of all accounts.