

City of Greenville
Audit Committee Meeting
Wednesday, February 10, 2016
City Hall, Room 328
11:00am-12:30pm
Attendees:

- | | | |
|---|--|--|
| <input type="checkbox"/> Allen Thomas, <i>Mayor (Chair)</i> | <input type="checkbox"/> Rose Glover, <i>Council Member (V. Chair)</i> | <input type="checkbox"/> Rick Smiley, <i>Council Member (Secretary)</i> |
| <input type="checkbox"/> Barbara Lipscomb, <i>City Manager</i> | <input type="checkbox"/> Michael Cowin, <i>Assistant City Manager</i> | <input type="checkbox"/> Bernita Demery, <i>Director of Financial Services</i> |
| <input type="checkbox"/> Kimberly Branch, <i>Financial Services Manager</i> | <input type="checkbox"/> Alisha McNeil, <i>Internal Auditor</i> | <input type="checkbox"/> Michelle Thompson, <i>Cherry Bekaert Auditor</i> |
| | | <input type="checkbox"/> Carlene Kamradt, <i>Cherry Bekaert Auditor</i> |
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1. Introductions

2. Review November 9, 2015 Audit Committee Meeting Minutes (Attached)

3. 2015 Findings/Update (Attached)

- **The Emergency Operations Fund is operating with a fund deficit on the modified accrual basis of accounting.**
- **Fund balance appropriated in the 14-15 budget exceeded the amount available in both the Public Transportation Fund and the Sanitation Fund.**
- **The current capital asset system by asset category could not be reconciled to the financial statements.**
- **Accountant Position**

4. FY 2016 Contract Proposal (Attached)

5. Federal Forfeiture Review Update (Tara Edwards, Cherry Bekaert - External Auditor)

6. FY 2016 Audit (See Attached Schedule)

7. Ethics and Code of Conduct Policy (Leah Futrell, HR Director)

8. Next Meeting – Wednesday, May 11, 2016

City of Greenville
Audit Committee Meeting Minutes
Monday, November 9, 2015
City Hall, Room 337
3:00pm-4:00pm

Attendees:

- | | | |
|--|---|---|
| <input type="checkbox"/> Allen Thomas, <i>Mayor (Chair)</i> | <input checked="" type="checkbox"/> Rose Glover, <i>Council Member (V. Chair)</i> | <input checked="" type="checkbox"/> Rick Smiley, <i>Council Member (Secretary)</i> |
| <input checked="" type="checkbox"/> Barbara Lipscomb, <i>City Manager</i> | <input checked="" type="checkbox"/> Michael Cowin, <i>Assistant City Manager</i> | <input checked="" type="checkbox"/> Bernita Demery, <i>Director of Financial Services</i> |
| <input checked="" type="checkbox"/> Kimberly Branch, <i>Financial Services Manager</i> | <input checked="" type="checkbox"/> Alisha McNeil, <i>Internal Auditor</i> | <input checked="" type="checkbox"/> Michelle Thompson, <i>Cherry Bekaert Auditor</i> |
| | | <input checked="" type="checkbox"/> Carlene Kamradt, <i>Cherry Bekaert Auditor</i> |
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1. Introductions

The meeting was opened with a motion made by Council Member Rose Glover, Council Member Rick Smiley seconded the motion.

2. Review of February 11, 2015 Audit Committee Meeting Minutes

The motion was made to approve the minutes, without exception, by Council Member Rick Smiley; Council Member Rose Glover seconded the motion.

3. Audit Addendum

This item was opened for discussion by Bernita Demery, Director of Financial Services. Mrs. Demery introduced the addendum and addressed the additional fees that had been assessed by the City's financial auditor, Cherry Bekaert. The audit addendum amount totaled \$22,000 in addition to the originally contracted amount of \$63,000. This addendum amount included the required base amount of \$15,000 and \$7,000 for financial statement preparation. Cherry Bekaert representative, Michelle Thompson, entered this portion of the discussion to reiterate the fees associated with the addendum and to also add that there was a little more difficulty completing the FY 2015 audit than expected.

Council Member Smiley raised concern in reference to this addendum amount and added that "it's a pretty big overrun". Mrs. Demery added that the auditors may have underestimated the amount of work it took. Previously, the City and GUC had a separate manager for both audits. Council Member Smiley questioned whether or not the City underestimated as well. Council Member Glover brought up the point that it is not unusual for a new auditor to underestimate and it's not a fault, when it is realized that more people are needed to complete an audit. Assistant City Manager, Michael Cowin, moved the discussion to question how the fixed assets are being managed. Michelle Thompson stated that the system was not calculating depreciation properly by fund. Also, Ms. Thompson added that maintenance was rigorous. Mrs. Demery then went on to say that this process of managing fixed assets is too much for one position to handle, in addition to managing grants. Mr. Cowin added that it is important that the City have one person to oversee grant management. Kimberly Branch added that the City has been in discussion with Cherry Bekaert since the errors were detected from the legacy system. Council Member Smiley inquired as to why this issue resulted in more work for Cherry Bekaert. Mrs. Demery stated that the ERP system has a report module the City is hoping to use and a separate individual will be requested to manage these separately.

Michelle brought up two points that related to the audit resulting in a fee increase. The first one was that Cherry Bekaert did not anticipate work being significantly more than expected before the audit began. Secondly, that there were certain expectation gaps that existed. Mr. Cowin also mentioned that to catch numbers up of incorrect calculations, it would have taken staff time and then auditor's time as well. Therefore, to save time, Cherry Bekaert worked on it over the originally anticipated time. Ms. Thompson went on to say that City management stayed overtime and worked weekends, even though audit staff had left the field.

Ms. Thompson stated that in relation to the depreciation expense, the current system will not reconcile depreciation. Council Member Smiley then inquired about the legacy issue and Ms. Thompson stated that Cherry Bekaert is only passing along half of the cost. The motion to approve the addendum was given by Council Member Smiley and Council Member Glover seconded the motion. The addendum was unanimously approved. Ms. Lipscomb asked if this would have to go through the budget amendment process. Mrs. Demery responded that the Financial Services department has enough money in the budget to cover the discussed increase in the current year but would require additional appropriations for next year.

4. Results of Audit – Cherry Bekaert

Michelle Thompson opened this portion of the discussion by highlighting the new pension accounting standard resulting in entries for all local governments. Ms. Thompson provided a walkthrough of the new standard and how it impacted the City's financials as illustrated in Exhibit A. Also, Ms. Thompson noted that the net pension asset restricted is new and that this has been well organized and disseminated to state localities by the LGC.

Michelle Thompson introduced the results of the 2015 audit and addressed that the City maintained an unmodified opinion. Also, she presented the three material weaknesses found as a result of the audit being performed. These material weaknesses were as a result of errors and statutory issues.

Also, there were four areas of observation as it relates to the 2015 audit. The first item is the control environment and the auditor's recommendation was for the City to establish ethics policy or conflict of interest policy. Mr. Cowin stated that in making this City-wide policy, it would need to be consistent across the top, even if departments currently have their own. Also, he added that in order to tighten up on internal controls, the City has implemented a new financial system and hired an Internal Auditor.

Next, Ms. Thompson discussed the Powell Bill auditing. She stated that a strengthening in monitoring and overseeing this recommended. Carlene Kamradt then added that strengthening reporting by documenting what projects are being worked on for this fund is recommended. Mrs. Demery pointed out that for this very reason; we need the Internal Auditor position to assist with documentation requirements. Ms. Lipscomb inquired as to whether or not the grant compliance was something new. Mrs. Demery and Mrs. Branch responded by adding that there have been write-ups in the job descriptions for Grant Specialist and Internal Auditor to improve this type of reporting. An Accountant position is also requested.

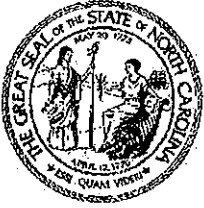
The next item for discussion was the revolving loan fund and the memo related to it provided in the meeting packet. Ms. Lipscomb questioned the total assets of the fund not equaling the amount of the revolving loan fund that was established. Ms. Kamradt responded by stating that it would have to be looked into further. Council Member Smiley added that it could just be a write-off not listed.

The last two areas of observation were segregated duties and the ethics policy. The auditors suggested that a lot of attention be placed on access rights within the system. Also, it was stated by the auditors that the Information Technology (IT) department provides system access to ensure control is outside. Kimberly Branch added that the segregation of duties are there now.

Council Member Smiley questioned whether or not ethics policy is in the City's Personnel Policy. All staff present agreed that it is not and the City Manager stated that it would not be hard to have that added. Mrs. Demery also informed meeting attendees that there are some policies already for City Council and some information throughout the regular personnel policy such as purchasing has been done; however, it is not in the form of a formal policy for staff.

5. Next Meeting – Wednesday, February 24, 2016

This item was not addressed. The committee voted unanimously to move into closed session among Council Members, City Manager's Office staff and Cherry Bekaert representatives, with the purpose of discussing audit issues in the absence of the Financial Services staff.



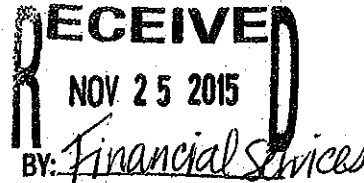
NORTH CAROLINA
DEPARTMENT OF STATE TREASURER
STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

JANET COWELL
TREASURER

GREGORY C. GASKINS
DEPUTY TREASURER

November 19, 2015

The Honorable Allen Thomas, Mayor
City of Greenville
P O Box 7207
Greenville, North Carolina 27835-7207



Dear Mayor Thomas:

The State and Local Government Finance Division in its role as staff to the Local Government Commission has analyzed the audited financial statements of the City of Greenville for the fiscal year ended June 30, 2015. The results of the analysis revealed some areas of concern regarding the City's financial operations. The purpose of this letter is to convey those concerns to you and the Board. We request that you respond to this letter, addressing each concern we have raised.

We noted various weaknesses concerning your City's internal controls that were communicated in writing to you by the auditor. We are especially concerned that the auditor reported the following as material weaknesses:

- The Emergency Operations Fund is operating with a fund deficit on the modified accrual basis of accounting;
- Fund balance appropriated in the 14-15 budget exceeded the amount available in both the Public Transportation Fund and the Sanitation Fund;
- The current capital asset system by asset category could not be reconciled to the financial statements.

In addition we are concerned about the City's control environment; the auditor noted the lack of an ethics policy and conflict of interest policy, and that controls and processes are decentralized. As a result, we are concerned about the Finance Department's ability to fully carry out its statutory obligation to maintain financial records in accordance with G.S. 159 and properly close the books and prepare for the annual audit.


Each of the items noted by the auditor was identified to assist the Board in improving the City's overall accounting system. In its response to the findings, the City provided general guidance on how they would address these issues, but we will need specific details on how

The Honorable Allen Thomas, Mayor
City of Greenville
November 19, 2015
Page 2

the City plans to address each of these issues. We will be contacting the Finance Officer to schedule a visit in December to discuss the City's specific course of action.

After our visit we request that you respond in writing with your specific plan of action for each issue discussed in this letter. The response should be on the City's letterhead, signed, and submitted by mail or by email to unitletter@nctreasurer.com. If you are planning to issue debt that requires the approval of the Local Government Commission, we must have a complete and thorough response to this letter on file prior to the Commission's consideration of your debt application. If we can be of any assistance to you, please contact me at (919) 814-4289.

Sincerely,



Sharon G. Edmundson, MPA, CPA
Director, Fiscal Management Section

cc: Barbara Lipscomb, City Manager
Bernita W. Demery, Finance Officer
Cherry Bekaert, CPAs, LLP



Find yourself in good company

November 25, 2015

Sharon Edmundson
State and Local Government Finance Division
N.C. Department of State Treasurer
325 N. Salisbury Street
Raleigh, North Carolina 27603-1385

Re: 2015 Audit - Unit Letter Response for the City of Greenville, NC

Dear Ms. Edmundson:

In response to the letter received on November 25, 2015 in regards to the City of Greenville's financial information, listed below are responses to your concerns. Per the letter, the following are the three concerns that were highlighted about the City's financial operations:

1. The Emergency Operations Fund is operating with a fund deficit on the modified accrual basis of accounting;
2. Fund balance appropriated in the 14-15 budget exceeded the amount available in both the Public Transportation Fund and the Sanitation Fund;
3. The current capital asset system by asset category could not be reconciled to the financial statements.

City's Response

The City has recently implemented various new initiatives to assist with financial reporting and budget oversight. Overall, the City has added a new office of Budget and Evaluation to assist with managing the various aspects of budgeting and reporting. Fulfillment of these positions will help alleviate some of your concerns. The City has already added a new Chief Financial Officer (CFO)/Assistant City Manager, who is also a CPA, who began employment with the City on September 14, 2015. The new Internal Auditor also has previous federal auditing experience. Once all positions, including the Budget Analyst referenced below, are filled and the new Financial System (MUNIS), replacing a 25 year old legacy system, are fully established, the City will be in an even better position to manage these processes. The new Budget and Evaluation Office will be composed of the following positions:

<u>Position</u>	<u>Start Date</u>
Chief Financial Officer /Assistant City Manager	September 14, 2015
Internal Auditor	August 17, 2015
Budget Analyst	Expected Start Date: December 14, 2015

All budget processes from the initial stages through adoption and monitoring has previously been conducted by the Financial Services Department and the individual departments. To strengthen the overall review process and allow for a more detailed review, these processes are being reassigned to the new Budget and Evaluation Office. Based on the review of this year's audit findings, staff is confident that timely reviews of any budget variance will be recognized and adjusted more timely. With regards to concerns over the testing of assets and other internal control environment matters, the addition of the Internal Auditor will provide for internal control and compliance testing, periodic audit reviews and a sample testing on the City's fixed assets as a whole throughout the year.

Based on the results from audit, the City is in the process of consolidating existing components of ethical behavior and conflicts of interest found throughout the City's personnel policies into one Ethics and Conflict of Interest policy. The City currently has Code of Conduct elements in its recently updated personnel policies. By adopted resolution the City Council has an established Code of Ethics governing the Mayor and Council members. Council Resolution #10-63 (attached) includes behavioral expectations that are required in the areas of ethics education, contracts, gifts and favors, misuse of confidential information, etc. Staff has started the initial work to review other examples that have been adopted by other local governments and to adjust for what is appropriate for all employees of the City of Greenville.

In regards to the highlighted concerns from this year's audit, the City's responses are below.

Concern 1

The Emergency Operations Fund is operating with a fund deficit on the modified accrual basis of accounting

The concern about the Emergency Operations Fund (Capital Project Fund with project to date balances) operating with a fund deficit is a result of the City closing that Capital Project. Staff did not close the Fund prior to year end and make the necessary request for budget amendments prior to year end. Additionally, staff noticed that for this project, the legacy system (FY 2015 was the last year), did not properly carry over year-to-date balances within the system. This enabled the system to authorize a purchase due to an incorrect available balance. Now that the City is operational under a new financial system, this will be managed by closing out the capital project fund and transferring general resources from the general fund.

Concern 2

Fund Balance appropriated in the 14-15 budget exceeded the amount available in both the Public Transportation Fund and the Sanitation Fund

In reference to the appropriated fund balance being greater than the amount available, this error resulted from a "rollover" process in the old legacy system. All open purchase orders were automatically re-encumbered/carried over at the end of the year. To rectify this matter, one of the management actions by staff will be to continue to evaluate fees structures and recommend necessary adjustments to assure appropriate cost recovery. This is in line with the Council's adopted seven year plan to improve operating efficiency of Sanitation services which includes the transition from an inefficient backyard service to curbside service which will ultimately serve to balance the fund. Per the adopted plan, incremental fee increases are scheduled over the next few years in order to create a positive Sanitation fund balance. At year end, re-encumbrances of fund balance will be evaluated more closely on a fund by fund basis relative to each funds available resources.

Concern 3

The Current capital asset system by asset category could not be reconciled to the financial statements

As it relates to the fixed assets, they are reconciled in net. However, during the City's work on the new financial system implementation to Munis, staff discovered that when taking individual costs or individual accumulated depreciation, the amounts could not be reconciled individually. The assets will be updated in the new financial system and additional staff resources will be allocated toward working to ensure that all items are reconciled and that depreciation is being calculated correctly. The position that has historically entered/reviewed fixed assets will have an enhanced role over this evaluation. The following is a summary of the steps that will be taken:

- ✓ Assets will be entered into the fixed asset system monthly, with an accompanying depreciation calculation (historically, depreciation has been run once a year),
- ✓ A formal reconciliation will take place to ensure that cost, depreciation expense, accumulated depreciation and net results are reconciled to the fixed asset roll-forward that will be presented within the annual financial report,

- ✓ The new system will enhance this process and is better suited to capture reporting errors and manage internal control procedures.

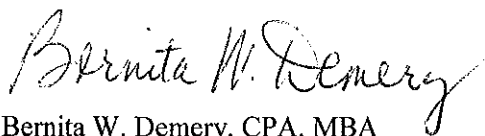
Summary

Again, it must be emphasized that the City is concluding an 18 month implementation schedule replacing the City's entire Financial System. It is the City's hope that subsequent to this transition new and old staff can better monitor the items that have been disclosed as problem outliers. With the new Budget and Evaluation Office (which includes a new Assistant City Manager's position) coupled with implementation of an upgraded/new financial system, the City's internal controls and compliance with G.S. 159 (The Local Budget and Fiscal Control Act) should be enhanced. Anticipated improvements are:

- Within the new system formal flags are given when any appropriation attempts to exceed the approved budget level.
- The new system has a different way of rolling balances forward as compared to the old legacy system, which makes it less of a manual process.
- With the addition of a budget analyst, concentration will be given to timely reviews of budget vs. actual to make sure all budget compliance is adhered to.
- The new system will eliminate some manual entries when it comes to fixed asset entries, in that fixed assets can be added at the time of purchase (integrated into the sub ledger for fixed assets).
- Enhanced duties (as evidenced in the rewritten job description), requires the Accounting Specialist to do a monthly depreciation calculation and reconciliation of fixed assets to ensure all costs, depreciation expense, and accumulated depreciation are accurate.
- Fees and Transfers will continue to be recommended to ensure proper fund balance levels, even when the system automatically re-encumbers open purchase orders at the end of a fiscal year.

Based on recent discussions with the Local Government Commission (LGC), it has been brought to our attention that effective with this year's audit, all unit letters to local governments will have to be discussed via face to face visits with local government representatives when a financing is imminent. We will be prepared to further elaborate on any additional questions that may generate from this documented response on Tuesday, December 1, 2015 at the Commission's 2:30pm meeting. Please contact me should you have any questions prior to that date.

Sincerely yours,



Bernita W. Demery, CPA, MBA
Director of Financial Services

Attachment

cc: Mayor and City Council
Barbara Lipscomb, City Manager
Michael Cowin, CFO/Assistant City Manager
Cherry Bekaert LLP
Biff McGilvray, NC Treasurer's Office
Kimberly Branch, Financial Services Manager

REPORT ON FUND BALANCE FISCAL YEAR 2015 YEAR-END

Contents:	<u>Page #</u>
Section I. Report Purpose-	1.
Section II. Fund Balance Classifications and Descriptions-	1. – 4.
Section III. Review of FY 2015 Fund Balance Details-	5. – 11.
Section IV. Review of Applicable Financial Policies-	12. – 13.

Report Developed by the City of Greenville
City Manager's Office and Financial Services Department
December 15, 2015



SECTION I – Report Purpose

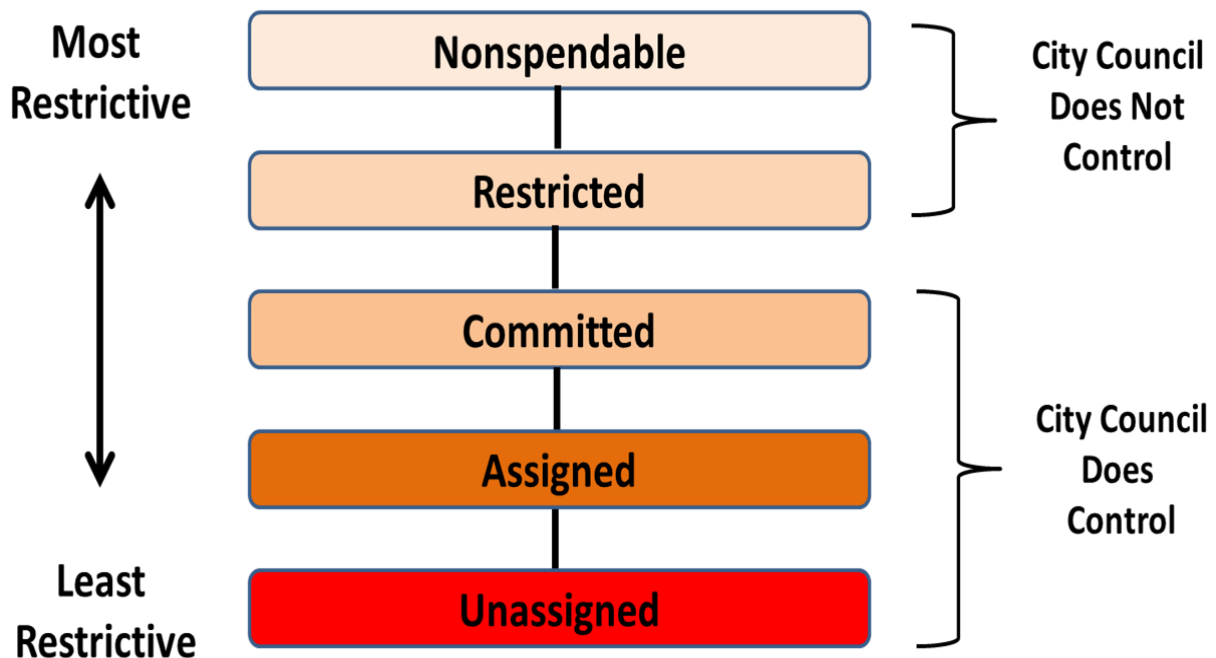
The purpose of this report is to :

1. Explain the categories of fund balance for the City of Greenville’s General Fund and Non-major Governmental Funds,
2. Explain the amounts of fund balance in these various categories as of June 30, 2015,
3. Explain the City’s financial policies relative to fund balance

It should be recognized that the data provided depicts fund balance levels reflected in the most recent audited financial statements (June 30, 2015).

SECTION II – Fund Balance Classifications and Descriptions

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent. The governmental fund types classify fund balance as follows:



Fund balance that is not considered Nonspendable or Restricted will be included Unassigned unless formal action of the City Council is taken to classify fund balance as Committed or Assigned.

Nonspendable Fund Balance

This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The City's Non spendable fund balance consists of the following:

Prepaid Items: portion of fund balance that is not an available resource because it represents certain payments to vendors applicable to future accounting periods and is, therefore, not in spendable form.

Inventories: portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Loans Receivable: portion of fund balance that is not an available resource because it has been paid out to borrowers and is, therefore, not a spendable resource.

Restricted Fund Balance

This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law. The City's Restricted fund balance consists of the following:

Restricted for Stabilization by State Statute: portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)].

Restricted for General Government: portion of fund balance that is restricted by revenue source for general government purposes.

Restricted for Streets: portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures.

Restricted for Public Safety: portion of fund balance that is restricted by revenue source for public safety expenditures.

Restricted for Economic Development: portion of fund balance that is restricted by revenue source for economic development expenses.

Restricted for Culture and Recreation: portion of fund balance that is restricted by revenue source for culture and recreation expenses.

Restricted for Debt Service: portion of fund balance that is restricted by revenue source for debt expenditures accounted for in the City's Debt Service Fund.

Committed Fund Balance

This classification represents the portion of fund balance that can only be used for specific purposes determined by a formal action of City Council. The City's committed fund balance consists of the following:

Committed for Catastrophic Losses: portion of fund balance committed by the City Council in its financial policy guidelines for insurance loss reserves for self-insured amounts that exceed insurance coverage.

Committed for General Government: portion of fund balance committed by the City Council in its financial policy guidelines for general government purposes.

Committed for Culture and Recreation: portion of fund balance that is committed by City Council for cultural and recreation expenses in various Special Revenue and Capital Project funds.

Committed for Public Safety: portion of fund balance that is committed by City Council for law enforcement equipment and operational activities in various Special Revenue and Capital Project funds.

Committed for Economic Development: portion of fund balance that is committed by City Council for economic development construction and activities in various Special Revenue and Capital Project funds.

Committed for Capital Outlays: portion of fund balance committed by the City Council for the construction of specific assets held in the Capital Reserve Fund.

Committed for Debt Service: portion of fund balance committed by the City Council to pay for future debt expenditures accounted for in the City's Debt Service Fund.

Assigned Fund Balance

This classification represents the portion of fund balance that the City of Greenville intends to use for specific purposes. The City's Assigned fund balance consists of the following:

Assigned for Subsequent Year's Expenditures: portion of fund balance that is appropriated in the next year's budget that is not classified as Restricted or Committed.

Assigned for Culture and Recreation: portion of total fund balance that has been budgeted by Council for library operations.

Unassigned Fund Balance

This classification represents the portion of fund balance that has not been Restricted, Committed, or Assigned to specific purposes or other funds. Unassigned Fund Balance is considered to be available for appropriation by the City Council.

Note: The categories and sub-categories listed above are dictated by the Governmental Accounting Standards Board (GASB) requirements.

SECTION III – Review of FY 2015 Fund Balance Details

The excerpts below from the City of Greenville’s FY2015 financial statements depicts that at the end of FY2015, the General Fund’s fund balance was \$32.6 million and the fund balance for Non-major Governmental Funds was \$10.7 million. Adding these two fund balances together results in a fund balance for Total Governmental Funds of \$43.3 million. In an effort to provide greater clarity regarding the various fund balance designations depicted below, staff has developed the detail sheets on the four pages that follow. These detail sheets identify the specific projects / activities and their associated funding for each fund balance category.

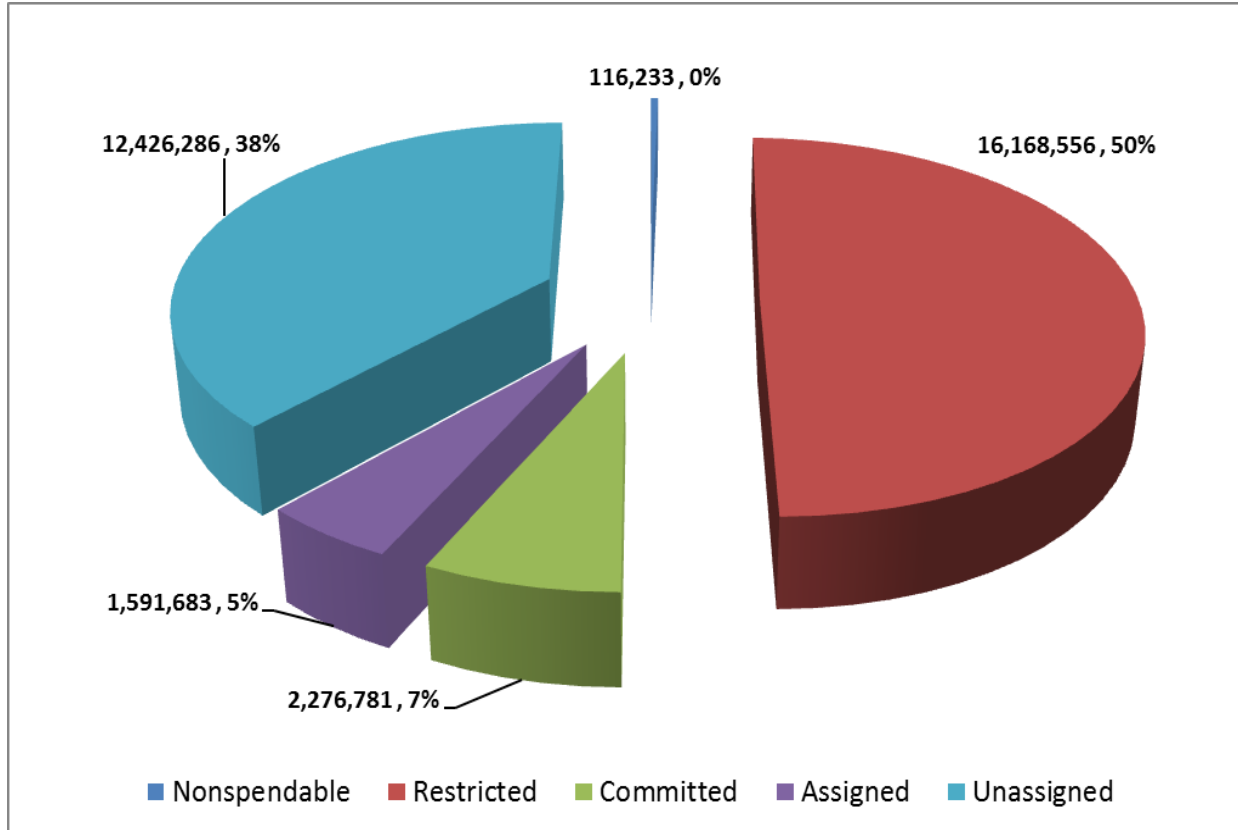
Excerpt From FY2014 Financial Statements

CITY OF GREENVILLE, NORTH CAROLINA
GOVERNMENTAL FUNDS
BALANCE SHEET

<i>JUNE 30, 2015</i>	General	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:			
Prepaid items and inventories	\$ 101,533	\$ 89,918	\$ 191,451
Loans receivable	14,700	830,548	845,248
Restricted:			
Stabilization by State Statute	13,033,581	560,787	13,594,368
Restricted for general government	76,578	-	76,578
Restricted for streets	2,236,910	-	2,236,910
Restricted for public safety	821,487	-	821,487
Restricted for economic development	-	7,251,170	7,251,170
Restricted for cultural and recreational	-	101,947	101,947
Restricted for debt services	-	342,917	342,917
Committed:			
Committed for catastrophic losses	2,276,781	-	2,276,781
Committed for general government	-	1,476,184	1,476,184
Committed for culture and recreation	-	372,217	372,217
Committed for public safety	-	81,760	81,760
Committed for economic development	-	3,364,854	3,364,854
Committed for capital outlay	-	699,625	699,625
Committed for debt service	-	49,781	49,781
Assigned:			
Assigned for subsequent year's expenditures	1,591,683	24,707	1,616,390
Assigned for culture and recreation	-	544,771	544,771
Unassigned:			
	12,426,286	(5,097,136)	7,329,150
Total Fund Balance	32,579,539	10,694,050	43,273,589

General Fund – FY 2015 Year-End Fund Balance Details

The following is the General Fund fund balance by category at June 30, 2015:



The following is a commentary describing each component of the General Fund ending fund balance at June 30, 2015:

Nonspendable Fund Balance		
Fund Balance Category	Amount	Description
Prepaid Items and Inventories	\$ 101,533	Portion of fund balance that is not an available resource because it represents certain payments to vendors applicable to future accounting periods and the year-end balance of ending inventories, which are not spendable resources.
Loans Receivable	\$ 14,700	Portion of fund balance that is not an available resource because it has been paid out to borrowers and is, therefore, not a spendable resource:

Restricted Fund Balance		
Fund Balance Category	Amount	Description
Stabilization by State Statute	\$ 13,033,581	Portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and inter-fund receivables which have not been offset by deferred revenue:
Restricted for General Government	\$ 76,578	Portion of fund balance that is restricted by revenue source for general government purposes.
Restricted for Streets	\$ 2,236,910	Powell Bill Funds- Used restricted by source.
Restricted for Public Safety	\$ 821,487	Federal Forfeiture and Controlled Substance funds- use restricted by source.

Committed Fund Balance		
Fund Balance Category	Amount	Description
Committed for Catastrophic Losses	\$ 2,276,781	These funds are used to cover liability exposures and workers compensation claims in excess of budget and stop-loss insurance coverage. The City has a financial policy dictating that this reserve will be maintained at no less than \$2.0 million.

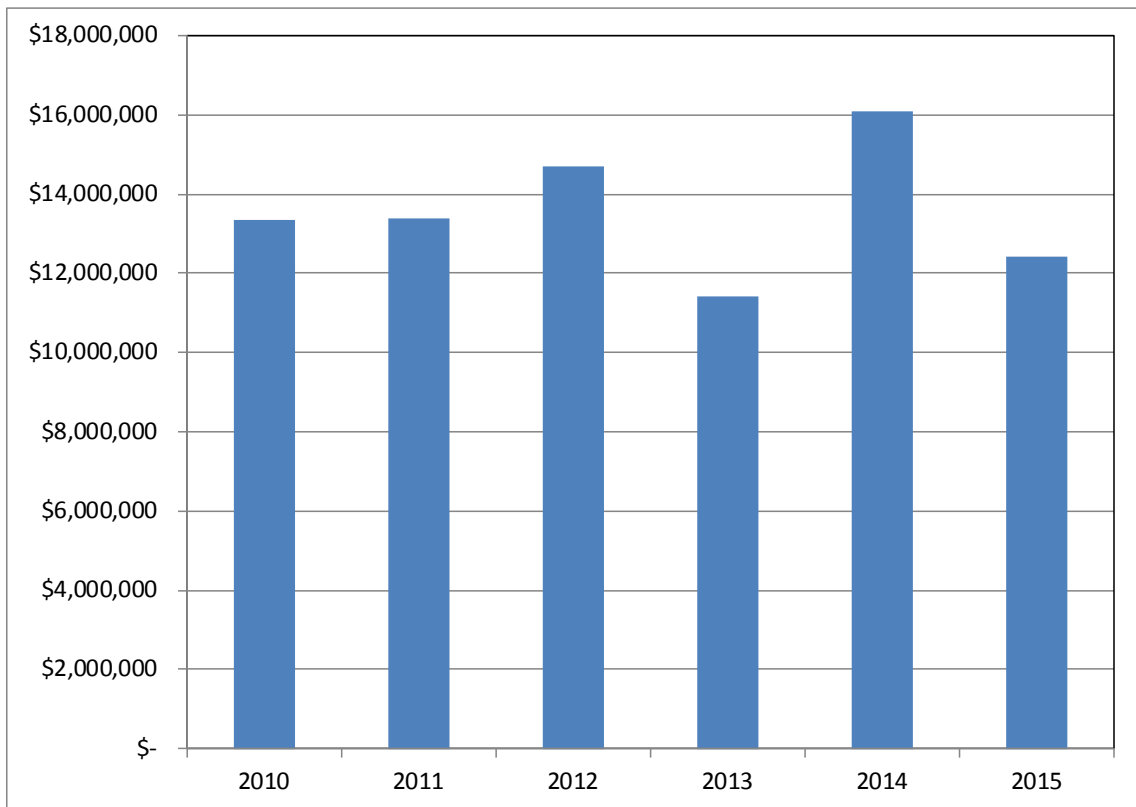
Assigned Fund Balance		
Fund Balance Category	Amount	Description
Assigned for Subsequent Year's Expenditures	\$ 1,591,683	These funds were budgeted for expenditure in the FY2016 budget (as Appropriated Fund Balance). Some of these funds have already been expended and it is expected that all will be spent within the next 12 months.

Unassigned Fund Balance		
Fund Balance Category	Amount	Description
Unassigned Fund Balance	\$ 12,426,286	The portion of the fund balance that has not been restricted, committed, or assigned to specific purposes. This amount represents fund balance that is available for appropriation.

TOTAL GENERAL FUND BALANCE	\$ 32,579,539	
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The following is the change in Unassigned Fund Balance for the City of Greenville over the past six years:

Year	Unassigned Fund Balance	Change
2010	\$ 13,364,965	-
2011	13,380,913	15,948
2012	14,683,133	1,302,220
2013	11,400,992	(3,282,141)
2014	16,108,088	4,707,096
2015	12,426,286	(3,681,802)



Non-major Governmental Funds – FY 2015 Year-End Fund Balance Details

The following is a commentary describing each component of the Non-major Governmental Funds ending fund balance at June 30, 2015:

Nonspendable Fund Balance		
Fund Balance Category	Amount	Description
Prepaid Items and Inventories	\$ 89,918	Portion of fund balance that is not an available resource because it represents certain payments to vendors applicable to future accounting periods and the year-end balance of ending inventories, which are not spendable resources: - Sheppard Memorial Library: \$89,918
Loans Receivable	\$ 830,548	Portion of fund balance that is not an available resource because it has been paid out to borrowers and is, therefore, not a spendable resource: - Community Development Fund: \$387,634 - Housing Trust Fund: \$8,462 - Energy Efficient Recovery Grant: \$92,007 - Affordable Housing Project: \$342,445

Restricted Fund Balance		
Fund Balance Category	Amount	Description
Stabilization by State Statute	\$ 560,787	Portion of fund balance which is not available for appropriation under State law [G.S. 159-8(a)]. This amount is usually comprised of accounts receivable and inter-fund receivables which have not been offset by deferred revenue: - Community Development Fund: \$320,236 - Sheppard Memorial Library: \$151,629 - Center City Revitalization: \$3,376 - Housing Trust Fund: \$116 - Centralized Grant: \$13,778 - GTAC Project Fund: \$5,949 - Emergency Operation Center Project: \$362 - Green Mill Greenway Project: \$18,717 - Uptown Parking Deck Project: \$46,061 - ERP Capital Project: \$15 - Street Improvement Fund: \$548

Restricted for Economic Development	\$ 7,251,170	Portion of fund balance which is restricted by revenue source for economic development expenses: <ul style="list-style-type: none"> - Community Development Fund: \$119,665 - Housing Trust Fund: \$41,961 - Centralized Grant: \$237,459 - Center City Revitalization: \$532,868 - 10th Street Connector: \$1,391 - Thomas Langston Rd Extension Prj: \$318,063 - Convention Center Expansion Project: \$988,621 - Uptown Parking Deck: \$447,613 - CVA Expansion Phase III: \$4,563,529
Restricted for Culture and Recreation	\$ 101,947	Portion of fund balance which is restricted by revenue source for cultural and recreational expenses: <ul style="list-style-type: none"> - Sheppard Memorial Library: \$101,947
Restricted for Debt Service	\$ 342,917	Portion of fund balance which is restricted by revenue source for debt expenditures accounted for in the City's Debt Service Fund.

Committed Fund Balance		
Fund Balance Category	Amount	Description
Committed for General Government	\$ 1,476,184	Portion of fund balance committed by City Council in its financial policy guidelines for general government purposes: <ul style="list-style-type: none"> - Energy Savings Equipment Project \$1,795 - ERP Capital Project: \$1,474,389
Committed for Culture and Recreation	\$ 372,217	Portion of fund balance committed by City Council for cultural and recreational expenses: <ul style="list-style-type: none"> - Green Mill Greenway Project: \$372,217
Committed for Public Safety	\$ 81,760	Portion of fund balance that is committed by City Council for law enforcement equipment and operational activities in various Special Revenue and Capital Project funds. <ul style="list-style-type: none"> - Technology for Public Safety Project: \$81,760
Committed for Economic Development	\$ 3,364,854	Portion of fund balance that is committed by City Council for economic development construction and activities in various Special Revenue and Capital Project funds. <ul style="list-style-type: none"> - Affordable Housing Project: \$423,538 - West Greenville Revitalization: \$112,906 - Stantonsburg Rd / 10th St Connector: \$407,086 - GTAC Project Fund: \$780,267 - King George Bridge Project: \$113,221 - Street Improvement Fund: \$1,434,909 - South Greenville Recon Project: \$92,927

Committed for Capital Projects	\$ 699,625	Portion of fund balance committed by the City Council for the construction of specific assets held in the Capital Reserve Fund. - Convention Center Project: \$390,487 - DOT Sidewalk Projects: \$52,059 - Parking Station Reserves: \$30,960 - Capital Investment Grant: \$50,000 - Open Space for Land Banking \$ 122,153 - Unallocated Interest: \$53,966
Committed for Debt Service	\$ 49,781	Portion of fund balance committed by the City Council to pay for future debt expenditures accounted for in the City's Debt Service Fund.

Assigned Fund Balance		
Fund Balance Category	Amount	Description
Assigned for Subsequent Year's Expenditures	\$ 24,707	Portion of fund balance that is appropriated in the next year's budget that is not classified as Restricted or Committed. - Sheppard Memorial Library: \$24,707
Assigned for Culture and Recreation	\$ 544,771	Portion of fund balance committed by City Council for cultural and recreational expenses: - Sheppard Memorial Library: \$544,771

Unassigned Fund Balance		
Fund Balance Category	Amount	Description
Unassigned Fund Balance	\$ (5,097,136)	- Community Development Fund: \$-291,220 - Centralized Grant: \$-167,842 - Center City Revitalization: \$-336,858 - Thomas Langston Extension Prj: \$-257,520 - Convention Center Expansion: \$-917,427 - Emergency Operations Center Project: \$-48,142 - Uptown Parking Deck: \$-361,194 - CVA Expansion Phase III: \$-2,716,933

TOTAL NON-MAJOR GOVERNMENTAL FUNDS- FUND BALANCE	\$10,694,050	
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SECTION IV – Review of Applicable Financial Policies

The City of Greenville’s Financial Policy Guidelines contain two policies that are directly relevant to any discussion regarding fund balance. These two policies are outlined below.

Policy 1:

The City will strive to maintain an Unassigned General Fund balance at the close of each fiscal year of at least 14.0% of the total annual operating budget.

The policy has the effect of the City retaining approximately 1.7 months of annual expenditures unassigned, meaning that 1.7 months of operating funds are available and not designated for other purposes.

The Unassigned General Fund balance as of the close of FY2015 was \$12,426,286, or \$1,944,878 above the 14% policy amount of \$10,481,408 which was calculated as follows:

Total Original FY2015 General Fund Budget	\$ 78,105,680
Less Powell Bill Budget	<u>(3,238,482)</u>
FY2015 General Fund Budget Less Powell Bill	74,867,198
Unassigned Fund Balance Policy Percentage	<u>14.00%</u>
Unassigned Fund Balance Policy Amount	10,481,408
Unassigned General Fund Balance at 6-30-15	<u>12,426,286</u>
Amount Above 14% Policy Amount	<u>\$ 1,944,878</u>

It should be recognized that of the \$1,944,878 above the 14% policy, approximately 25.5% (\$497,577) has been allocated by budget amendments approved by City Council through November 2015. This would leave \$1,447,301 available above the 14% policy threshold for allocation. There continues to be an allocated amount of interest within the Capital Reserve Fund. After including the Capital Reserve Fund’s interest, there is \$1,501,266 that is available for allocation.

On November 12, 2015, City Council approved the transfer of the \$1,447,301 in General Fund fund balance above the 14% threshold to the Capital Reserve Fund. After including the Capital Reserve Fund’s interest, approximately \$1,501,266 was allocated to Dickinson Avenue projects that include the Sidewalk project (parking lots for sidewalk project and City employees) and the Brownfield property.

Policy 2:

The City will establish and maintain an insurance Loss Reserve to pay for needs caused by unforeseen emergencies. This reserve will be maintained at no less than \$2.0 million.

The City has established a program to manage its financial risk through a self-funded arrangement in combination with purchased insurance related to workers compensation and general liability. As such, liability exposures and workers compensation claims are addressed in the self-funded program. Excess insurance (specific stop-loss coverage) is purchased through third party sources to cover large claims (over \$600,000 for workers compensation and over \$250,000 for general liability). The Insurance Loss Reserve, categorized as the Committed for Catastrophic Losses, is used to cover claims in excess of budget and stop-loss insurance coverage. The specific amount in this fund at the end of FY2015 was the same as the previous year end, \$2,276,781 which is approximately \$276,781 above the policy minimum limit.

**REQUEST FOR
PERSONNEL ADDITION**

1. FUND General			2. ACCOUNT # 010-01-25-00-000-000-510100		3. DEPARTMENT/DIVISION Administrative	
4. SUGGESTED CLASSIFICATION From Collections - Part-Time to Accountant			5. FULL TIME <input checked="" type="checkbox"/>	6. PART TIME <input type="checkbox"/>	7. DSPT TIME <input type="checkbox"/>	8. HIRING DATE 1/30/2016
					9. NUMBER REQUIRED 1	10. DEPT PRIORITY N/A
11. REASON POSITION NEEDED: NEW <input type="checkbox"/> EXPANDED <input checked="" type="checkbox"/> REDUCED <input type="checkbox"/> OTHER <input type="checkbox"/>						
12. DUTIES TO BE PERFORMED AND PERCENTAGE OF TIME SPENT ON EACH:						
	PERCENT	DUTIES				
A	55.00	<ul style="list-style-type: none"> •Manage the grant administration process by working closely with each City department and their activity concerning grants awarded (the Accounting Specialist will serve as support for this effort). •Compile information collected throughout the fiscal year to assist with the end of the year audit reports. •Assist with the scheduled reporting submissions to the awarding agency and/or federal government. •After reward, review all grant information to obtain an understanding so that proper accounting /tracking can be maintained on each grant. •Set up a proper accounting for all assets that have been purchased via grant funding (with assistance from Accounting Specialist). 				
B	20.00	<ul style="list-style-type: none"> •Oversee internal and budgetary affairs by working with the departments to determine the proper budget set up for each grant that is approved for the City. •Review grant documents to ensure they are on track and within their restrictions. •Track City departments' funds/grants/awards to add them into the overall City budget (may receive assistance from Accounting Specialist). 				
C	10.00	<ul style="list-style-type: none"> •Complete a monthly review of the YTD Budget Report for all funds, to report significant changes/variances. •Establish a monthly grant status report to be presented to Management for decision making. 				
D	5.00	<ul style="list-style-type: none"> •Manage the financial policies and procedures that are surrounding grant / donation processes for continued monitoring. •Establish documented policies and procedures providing direction for all system reports and other processes that are managed in Munis by Financial Services. 				
E	10.00	All other duties as assigned by the department.				
	100.00					
13. POSITION COSTS						
			FIRST YEAR COST		SECOND YEAR COST	
		WAGES	15300.00		15759.00	
		BENEFITS	14980.00		15429.03	
		OPERATING COSTS				
		CAPITAL OUTLAY				
		TOTAL COSTS	30280.00		31188.03	
14. EXPLAIN NEED FOR POSITION IN DETAIL AND CONSEQUENCES OF REQUEST NOT BEING APPROVED:						

Financial Services is requesting that the existing Collections part-time position that is within the Department be reclassified to an Accountant position. This position is being requested as a result of management letter comments submitted by the external auditors, continued changes in accounting standards on testing of grant rewards, and the continued need to keep up with the work demands of a growing City. Historically, the department has utilized a portion of another position to oversee grant activity; however this portion is not enough to ensure the proper understanding of all City grant awards and the accountability necessary from reward to closure, to include reporting. This new position will be able to commit time necessary for grant management, to include compliance, and other reporting/ review necessary for the department and the City as a whole. If it is not filled, grant awards may have to be returned and another audit finding could surface.

HR EVALUATION

ASSISTANT CITY MANAGER EVALUATION

MANAGER'S EVALUATION

Request for Personnel Addition

This budget template is used to request a new position or to reclassify an existing position. The form is completed by the department and forwarded to HR for consideration.

1. FUND - - General or Powell Bill or Stormwater
2. ACCOUNT # - - departmental budget number
3. DEPARTMENT/DIVISION - - department and division name
4. SUGGESTED CLASSIFICATION - -title of new/reclassified position
5. FULL TIME - - regular position with standard benefits
6. PART TIME - -part time or temporary with only FICA
7. DESIGNATED PART TIME - -part time position with limited benefits
8. HIRING DATE - -when position is expected to be filled
9. NUMBER REQUIRED - -number of positions being requested
10. DEPARTMENT PRIORITY - if requesting more than one position, rank your preferred order
11. REASON POSITION NEEDED - - check “new”, “expanded”, “reduced”, or “other”
12. DUTIES TO BE PERFORMED AND PERCENTAGE OF TIME SPENT ON EACH - - list primary duties of new or reclassified position. Make sure % totals 100. Form will calculate when printed. Detailed job questionnaire and job evaluation manual must be completed for all new job classifications and reclassifications (see document # 907579 for employee and #907582 for supervisor)
13. POSITION COSTS: Benefit calculations guide is below. Operating costs include uniforms, gear, telephone, computer, furniture, etc. Capital outlay costs include vehicles. Totals will calculate when printed
14. EXPLAIN NEED FOR POSITION IN DETAIL AND CONSEQUENCES OF REQUEST NOT BEING APPROVED - - complete, using additional paper if needed

Fringe Benefit Costs

Retirement – all except sworn PD	7.07%
Retirement – sworn PD	7.28%
Medicare social security (FICA)	1.45%
Social security (FICA)	6.2%
401(k) – all except sworn PD	\$30/biweekly = \$780/year
401(k) – sworn PD	5.0%
Life insurance	\$128/year
Health insurance	\$11,400/year
Dental insurance	\$784/year
Workers comp	Office workers: \$0.28 per \$100 wages paid F/R sworn: \$13.52 per \$100 wages paid Police sworn: \$3.62 per \$100 wages paid Garbage/refuse: \$7.93 per \$100 wages paid Street/Transit/Cemetery: \$6.95 per \$100 wages paid All others: \$4.03 per \$100 wages paid

January 22, 2016

Ms. Bernita Demery
Director of Financial Services
City of Greenville
200 West Fifth Street
Greenville, NC 27834

Dear Bernita:

As noted in our Engagement Letter Terms and Conditions, our estimated fees are based on anticipated full cooperation from your personnel, timely delivery of requested audit schedules and supporting information, timely communication of all significant accounting and financial reporting matters, the assumption that unexpected circumstances will not be encountered during the audit, as well as working space and clerical assistance as mutually agreed upon and as is normal and reasonable in the circumstances. Any additional system change other than implementation of payroll in Munis as of January 1, 2016 (or other date prior to June 30, 2016) will be considered an unexpected circumstance. The estimated fees also contemplate that the auditee will update the previous year's documentation of its systems and controls related to significant transaction cycles and audit areas.

We strive to ensure that we have the right professionals scheduled on each engagement. As a result, sudden City requested scheduling changes or scheduling changes necessitated by the agreed information not being ready on the agreed upon dates can result in expensive downtime for our professionals. Any last minute schedule changes that result in downtime for our professionals could result in additional fees.

Specifically, our expectation of full cooperation and timely delivery of requested schedules and supporting information includes completion of the following by a mutually agreed-upon date during our planning phase of the audit:

- ▶ Auditee's update of our previous year's documentation of the auditee's systems and controls related to significant transaction cycles and audit areas.

Specifically, our expectation of full cooperation and timely delivery of requested schedules and supporting information also includes completion of the following before we begin fieldwork:

- ▶ Closeout of each fund
 - All transactions recorded
 - Fund balance "rolls" from the 2015 CAFR ending balance (2016 ending balance = 2015 ending balance plus/minus 2016 net change in fund balance from the fund "income statement" plus/minus any prior period adjustment)
 - No negative cash reported
 - Fund due to's/from's net to zero.
 - Fund transfers net to zero.
 - Library, CVA and GUC due to's/from's and transfers agree to the corresponding due from's/to's and transfers in the other entities' records in such a way that the other entities will report the same balances the City expects to report.
 - Cash, investments, accounts receivable, accounts payable, accrued expenses, and revenues, etc. reconcile to confirmations, subsidiary ledgers, payroll registers, etc., as applicable.

- ▶ Capital assets, debt, pension, OPEB, and any other government-wide balances and calculations, including the workpapers to be provided to us, are completed and reconcile to detail subsidiary ledgers, actuarial reports, etc. Depreciation has been correctly calculated by the accounting system. Errors in capital asset entries in the previous accounting system have been corrected in the new system. Transactions are recorded in the enterprise, internal service, and fiduciary funds for full accrual reporting. For the governmental activities, the workpapers are completed and reconcile to detail subsidiary ledgers, actuarial reports etc. Balances to be reported in the government-wide statements are readily identifiable in the workpapers.
- ▶ Files will be transmitted to us through File Exchange, not email.
- ▶ Auditee is responsible for providing workpapers and other documents/files required for performance of the audit at least 8 weeks prior to auditee's reporting deadline.

If for any reason the auditee is unable to provide such schedules, information and assistance, on a timely basis, as discussed above, the Firm will reschedule its staff to perform the audit at an available time in the future which will begin on a date after all required documents and files are available for our use. This may result in completion of the audit work after the reporting deadline.

We plan to perform the first week of fieldwork in our office so that we can work with the files and documents you provide, identify questions, identify follow-up documents, and prepare for discussions with your staff, use of any hard copy documents, etc.

As such we propose the following fee adjustments for the FY16. Subsequent years to be negotiated annually:

Proposed Fee Quotation Adjustment

FY	Auditee	Fee Per Proposal	Printing ¹	Reporting ² & General Computer Controls ³	Fee Adjustment ⁴	New Proposed Fee
2016	City	70,500	\$5,000	\$32,500	9,500	117,500
	Library	7,500			2,500	10,000
	CVA	7,500			2,500	10,000
		<u>\$ 85,500</u>				<u>\$ 137,500</u>

Footnotes:

¹ Additional report-writing services in lieu of City's use of a separate company for printing reports

² Incremental costs related to systems implementation not contemplated in the original proposal for changes to accounts and requirement to regroup leadsheets and relink financial statement files.

³ Integrated additional work as part of the site visit we are required to perform related to IT internal controls. Based on our discussions with City personnel during the FY2015 audit, we noted the new business system represents a material change to the City's system of internal control. We are required under the auditing standards to address the impact of these changes in our planning and related auditing procedures. Therefore, as part of the audit we are required to include additional significant planning time to understand the IT project scope and perform additional IT auditing procedures focused on the System Development Life Cycle and Change Management areas to verify we can rely on the systems implementation process and controls. We are also required to understand the effect of the systems implementation on General Computer Controls and perform procedures to determine how the implementation will affect our financial audit procedures.

⁴ Actual results for fiscal year end were as follows:

Entity	Hours	Actual	
		Rate Per Hour	Net Fees
City	1,005	\$85	\$85,000
Library	105	71	7,500
CVA	175	43	7,500
	<u>1,285</u>	<u>\$78</u>	<u>\$100,000</u>

Some of these hours relate to invested first year effort on our part; however, after performing the FYE 2015 audit and based on our Firm's acceptance policies, we have determined that in order for us to continue to serve the City and related entities we will require this incremental adjustment to our original proposal.

Should you have any questions about above expectations or fee quotation or want clarification on any of the items discussed herein, please do not hesitate to reach out to me at 919.782.1040 or mthompson@cbh.com.

Thank you,

CHERRY BEKAERT LLP



Michelle Thompson, CPA
Partner

DRAFT

CITY OF GREENVILLE
AGREED-UPON PROCEDURES REPORT

January 28, 2016

CITY OF GREENVILLE
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DRAFT

**Independent Accountant's Report
on Applying Agreed-Upon Procedures**

Barbara Lipscomb, City Manager
City of Greenville

We have performed the procedures as listed at Appendix 1, that were agreed to by the City of Greenville (the "City"), solely to assist the City in connection with the compliance with Federal Forfeiture funds requirements and to reconcile funds received from the Federal Forfeiture Funds program to the general ledger for the past 5 fiscal years (June 30, 2010; June 30, 2011; June 31, 2012; June 30, 2013 and June 30, 2014) The City is responsible for presentation of certain revenue and expenditures records in accordance with Federal Forfeiture Fund requirements.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described in Appendix 1 either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the City's compliance with procedures. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City and the U.S. Department of Justice and is not intended to be and should not be used by anyone other than these specified parties.

Raleigh, North Carolina
January 28, 2016

CITY OF GREENVILLE
AGREED-UPON PROCEDURES REPORT

APPENDIX 1- SUMMARY OF PROCEDURES AND FINDINGS

1. CASH RECEIPTS

Procedures Performed:

Obtain the Equitable Sharing Agreement Annual Certification Reports submitted to the Departments of Justice and Treasury during fiscal years 2010 to 2014 and perform the following

- a. Verify that the City has established a separate revenue account or accounting code for each of the Department of Justice and Department of Treasury Federal Forfeiture Funds.
- b. Trace receipts received from each of the Departments to the bank statements, reports of receipts from the Departments and the general ledger.
- c. Trace expenditures of funds from each fiscal year to the bank statements and general ledger.
- d. Verify any interest income during each of the fiscal years was properly deposited into the equitable sharing revenue account and properly reported in the revenue account in the general ledger.

Results:

a. *Revenue Accounts and Accounting Codes*

The City has established general ledger accounts to separate Federal Forfeiture Fund revenue and expenses. However, the City has not established separate general ledger accounts to track the revenue from Federal Forfeiture Funds related to the Department of Justice separately from those received from the Department of Treasury.

The City has established two separate general ledger accounts to track the cash balances for the Department of Treasury Federal Forfeiture Funds and the Department of Justice Federal Forfeiture Funds.

Additionally, the City maintains a separate bank account for Federal Forfeiture Funds. However, the bank account includes both Department of Justice and Department of Treasury Federal Forfeiture Funds.

b. *Cash Receipts*

Tracing Cash Receipts to the Bank Statements

During our procedures, we noted the funds received from the Departments were originally received into the City's General Fund bank account. After the funds were received into the General Fund bank account, the City's process included a transfer of funds to the Federal Forfeiture Funds bank account.

We traced funds from the City's Sharing Distribution Report to the bank statements as follows:

CITY OF GREENVILLE
AGREED-UPON PROCEDURES REPORT

Fiscal Year Ended	Amount on Sharing Report	Amount Received in General Fund Bank Account	Amount Transferred to Federal Forfeiture Funds Account	Difference
June 30, 2010	\$73,910	\$73,910	\$60,918	(\$12,992)
June 30, 2011	\$26,370	\$26,370	\$26,370	-
June 30, 2012	\$153,045	\$153,045	\$153,045	-
June 30, 2013	\$89,782	\$89,782	\$90,761	979
June 30, 2014	\$120,052	\$120,052	\$116,961	(\$3,091)
Total	\$463,159	\$463,159	\$448,055	(\$15,104)

Discrepancy in reporting agency funds

During our procedures, we noted that of the on the ESAC, the City recorded \$12,992 of receipts from the Department of Treasury and \$60,918 from the Department of Justice. However, from our review of the Forms DAG-71 in Procedure 2a below, all of the Forms were either from the DEA or the FBI, which are designated as Department of Justice agencies.

Timeliness of Transfer of Funds

We noted the following instances in which transfers were made from the General Fund bank account to the Federal Forfeiture Fund bank account more than 30 days after receipt from the Department of Justice:

Fiscal Year Ended	Amount Transferred into Federal Forfeiture Fund Bank Account	Amount Transferred after 30 days of Receipt
June 30, 2010	\$60,918	\$56,406
June 30, 2011	\$26,370	\$23,131
June 30, 2012	\$153,045	\$15,463
June 30, 2013	\$90,761	\$62,411
June 30, 2014	\$116,961	\$30,657
Totals	\$448,055	\$188,068

Tracing Cash Receipts to the Revenue in the General Ledger

During our procedures, we noted the following discrepancies between the funds received from the Department of Justice and the amounts recorded in the Federal Forfeiture Funds revenue general ledger account:

Fiscal Year Ended	Funds Received	Amount Recorded in Revenue GL	Adjusting Journal Entries Made by the City**	Remaining Difference
June 30, 2010	\$73,910	(\$3,211)	\$42,298	\$34,823
June 30, 2011	\$26,370	\$26,370	-	-
June 30, 2012	\$153,045	\$153,045	-	-
June 30, 2013	\$89,782	\$90,631	\$3,430	(\$4,279)
June 30, 2014	\$120,052	\$111,413	\$503	\$8,136
Total	\$463,159	\$378,248	\$46,231	\$38,680

**In June and July 2015, the City recorded adjusting journal entries to Federal Forfeiture Fund Revenue.

CITY OF GREENVILLE
AGREED-UPON PROCEDURES REPORT

Tracing Cash Receipts to the Cash Accounts in the General Ledger

During our procedures, we noted the following discrepancies between the funds received from the Department of Justice and the amounts recorded in the Federal Forfeiture Funds cash general ledger accounts:

Fiscal Year Ended	Funds Received	Amount Transferred to Federal Forfeiture Funds Account	Amount Recorded in Dept of Justice Cash Account	Amount Recorded in Department of Treasury Cash Account	Adjusting Entries Posted by the City	Remaining Difference between total funds received and Cash GL
June 30, 2010	\$73,910	\$60,918	\$85,337	\$3,510	\$42,298	(\$57,235)
June 30, 2011	\$26,370	\$26,370	\$26,869	-		(\$499)
June 30, 2012	\$153,045	\$153,045	\$132,434	\$6,868	\$13,743	-
June 30, 2013	\$89,782	\$90,761	\$41,629	\$49,132	\$3,430	(\$4,409)
June 30, 2014	\$120,052	\$116,961	\$11,434	\$105,527	\$3,563	(\$472)
Total	\$463,159	\$448,055	\$297,703	\$165,037	\$63,034	(\$62,615)

c. Cash Disbursements traced to the Bank Statements and General Ledger

The City pays all Federal Forfeiture Fund expenditures through the General Fund Bank Account. The City then transfers funds equal to the amount expended from the Federal Forfeiture Fund bank account to reimburse the General Fund bank account. During our testing, we noted the City did not consistently transfer expenditures from the Federal Forfeiture Fund Bank account back to the General Fund bank account. Only \$194,365 of the total \$331,246 was reimbursed back to the General Fund bank account during the five fiscal years. The last transfer to reimburse the General Fund was made in April 2012. A difference of \$136,881 remains for funds that have not been transferred back to reimburse the general fund.

d. Interest Income

The City deposits the cash receipts from the Federal Forfeiture Funds into an interest-bearing account. The account yields 0.01% interest. Interest income is recorded in a separate interest earnings general ledger account for the Federal Forfeiture Funds. We agreed the amounts recorded in the general ledger to the bank statement. The amount of interest recorded to for Federal Forfeiture Funds from the Department of Treasury and Department of Justice are prorated based on the general ledger balance.

We did note that since the City did not timely make transfers of funds received from the General Fund Bank account to the Federal Forfeiture bank account and reimbursements back from the Federal Forfeiture fund bank account to the General Fund bank account, the amount of interest income earned may have been different.

CITY OF GREENVILLE

AGREED-UPON PROCEDURES REPORT

2. CASH DISBURSEMENTS

Procedures Performed:

For each cash disbursement transaction during each of the fiscal years 2010-2014, perform testing to ensure the following.

- a. Cash disbursement is properly supported by a Form DAG-71, "Application for Transfer of Federally Forfeited Property" and is included on the Log of Form DAG-71 maintained by the City.
- b. Cash disbursement was for an allowable law enforcement purpose as specified in the "Guide for Equitable Sharing for State and Local Law Enforcement Agencies".
- c. Cash disbursements were properly authorized and are supported by a purchase order, contract and/or invoice.
- d. Trace expenditures of funds during each of the fiscal years to the general ledger account.

Results:

a. Form DAG-71

We obtained copies of the DAG 71 forms for each of the cash receipts for each fiscal year. There were a total of 78 Forms DAG-71 for the past five fiscal years (June 30, 2010; June 30, 2011; June 31, 2012; June 30, 2013 and June 30, 2014). Of the 78 forms, there were 2 instances in which we were unable to verify the signatures and certification.

Additionally, we noted all DAGS were related to either DEA or the FBI, which should be reported as Department of Justice funds. However, during the fiscal year ended June 30, 2010, the City reported on their Equitable Sharing Agreement Certification (ESAC) \$12,992 of funds received from the Department of Treasury.

Additionally, there were 2 instances in which the forms were not filed within 60 days of seizure of the certification. One instance was supported by a letter with an explanation for the late submission of the form. The other instance was filed 63 days after seizure.

b. Allowable Purpose of Cash Disbursements

During our procedures, we did not identify any transactions that were for a purpose other than those specified in the Guide for Equitable Sharing for State and Local Law Enforcement Agencies". However, we noted transactions that were either not properly supported with invoices and/or receipts or were claimed by the City but not paid with Federal Forfeiture funds and are therefore considered unallowable.

- For the fiscal year ended June 30, 2010, we noted 8 transactions that were paid for using the City's procurement card totaling \$1,112 that were not supported with receipts or invoices.
- For the fiscal year ended June 30, 2011, we noted 64 transactions totaling \$15,658 that were not supported with receipts or invoices.

CITY OF GREENVILLE

AGREED-UPON PROCEDURES REPORT

- For the fiscal year ended June 30, 2012, we noted 1 transaction of \$12,150 that was not properly supported by an invoice or receipt. This amount was the remaining amount on a purchase order and had not been spent.
- For the fiscal year ended June 20, 2012, we noted 3 transactions totaling \$63,823 that were originally recorded and claimed as Federal Forfeiture funds. These transactions were actually paid with other City funds.

c. Authorization and Support for Cash Disbursements

See the results of Procedures 2b above for transactions that were not properly supported by an invoice or receipt. Additionally, we noted transactions that had evidence for the cash disbursement through a receipt or invoice, but did not have evidence of a purchase order or other authorization prior to the purchase:

- For the fiscal year ended June 30, 2014, we noted 1 transaction totaling \$590 that was purchased with a procurement card. We did inspect a copy of the receipt, but did not see proper approvals of the cardholder statement for the month.
- For the year ended June 30, 2010, we noted one transaction totaling \$14,303 that was supported by a City Capital Outlay Approval form. However, the signatures on the form were obtained after the date of purchase on the invoice.
- For the fiscal year ended June 30, 2014, we noted 2 transactions totaling \$1,190 that were purchased with a procurement card. We obtained copies of the cardholder statement, which included the proper approvals.
- For the fiscal year ended June 30, 2014, we noted 4 transactions totaling \$9,425 that did not have a purchase order. However, we inspected the check voucher request that was signed and approved by the Chief of Police prior to payment.
- For the year ended June 30, 2011, we noted 11 transactions totaling \$1,612 which were paid via a procurement card related to the renovation of the City's ComStat room. While we were not provided a copy of the approvals for the credit card statements, we did inspect receipts supporting the transactions as well as an approved City Capital Outlay form that was properly signed and dated prior to the expenditures. The Capital Outlay Form stated \$11,700 of Federal Forfeiture Funds were to be used towards the renovation of the ComStat room.

d. Expenditures recorded to the general ledger

During our procedures, we noted all of the expenditures related to the Federal Forfeiture Funds were recorded in either the Capital Outlay Federal Forfeiture Expense account or the Supplies and Materials Federal Forfeiture expense accounts in the general ledger.

For the fiscal year ended June 30, 2010, the Federal Forfeiture Expense general ledger account included the unallowable transactions totaling \$1,112 noted in Procedure 2b above.

For the fiscal year ended June 30, 2011, the Federal Forfeiture Fund Expense general ledger account included the unallowable transactions totaling \$15,658 noted in Procedure 2b above.

In the fiscal year ended, June 30, 2012, the City made adjusting journal entries to remove expenses of \$63,823 from the Federal Forfeiture expense general ledger account as these expenses were paid with other funds. Additionally, the remaining encumbrance of \$12,150 we noted as unallowable in Procedure 2b above was not recorded as an expense transaction.

CITY OF GREENVILLE
AGREED-UPON PROCEDURES REPORT

3. RECALCULATION OF EXPENDITURES

Procedures Performed:

Using the information from procedures 1 and 2 above, recalculate the City's total Federal Forfeiture expenditures for each of the fiscal years ended June 30, 2010 through June 30, 2014.

Results:

See attached schedule at Appendix 2 for a recalculation of the funds received, interest income and federal forfeiture fund expenditures for each of the fiscal years ended June 30, 2010, 2011, 2012, 2013 and 2014.

Note our procedures did not include the Federal Forfeiture Funds balance at June 30, 2009, so we have not included any beginning balances at July 1, 2009.

DRAFT

CITY OF GREENVILLE, NORTH CAROLINA
APPENDIX 2
RECALCULATION OF FEDERAL FORFEITURE FUNDS

	<u>Department of Justice</u>	<u>Department of Treasury</u>
Federal Sharing Funds Received July 1, 2009 through June 30, 2010	73,910.12	-
Interest Income Accrued	95.60	19.07
Federal Sharing Funds Spent	16,544.94	-
Ending Balance at June 30, 2010	\$ 57,460.78	\$ 19.07
Federal Sharing Funds Received July 1, 2010 through June 30, 2011	26,370.15	-
Interest Income Accrued	142.58	13.66
Federal Sharing Funds Spent	99,650.04	-
Ending Balance at June 30, 2011	\$ (15,676.53)	\$ 32.73
Federal Sharing Funds Received July 1, 2011 through June 30, 2012	153,045.10	-
Interest Income Accrued	32.92	13.34
Federal Sharing Funds Spent	19,223.35	-
Ending Balance at June 30, 2012	\$ 118,178.14	\$ 46.07
Federal Sharing Funds Received July 1, 2012 through June 30, 2013	89,781.86	
Interest Income Accrued	65.17	37.10
Federal Sharing Funds Spent	55,116.93	
Ending Balance at June 30, 2013	\$ 152,908.24	\$ 83.17
Federal Sharing Funds Received July 1, 2013 through June 30, 2014	120,052.15	
Interest Income Accrued	132.58	126.73
Federal Sharing Funds Spent	140,711.08	
Ending Balance at June 30, 2014	\$ 132,381.89	\$ 209.90

DRAFT

Letter of Recommendation

Barbara Lipscomb, City Manager
City of Greenville, North Carolina

We have performed certain agreed-upon procedures as requested by the City of Greenville (the City), solely to assist the City in connection with Federal Forfeiture Fund requirements and to reconcile funds received from the Federal Forfeiture Funds program to the general ledger for the past five fiscal years (June 30, 2010, June 30, 2011, June 30, 2012, June 30, 2013 and June 30, 2014). The procedures were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. As a part of our engagement and as a value added service to you we identified certain matters that we thought would be of interest to the City. Our comments and recommendations are as follows:

BEST PRACTICE RECOMMENDATIONS

Federal Forfeiture Bank Accounts and Revenue Accounts

During our agreed-upon procedures, we noted that the following regarding the federal forfeiture fund accounts:

- The City maintains a separate bank account for Federal Forfeiture Funds. However, the bank account includes both Department of Justice and Department of Treasury Federal Forfeiture Funds.
- The City records revenue for both the Department of Justice and the Department of Treasury federal forfeiture funds in the same general ledger account.
- Interest income is recorded in two separate general ledger accounts for the Department of Justice and the Department of Treasury. However, since interest income is generated from one bank account, the interest is allocated to the Treasury and Justice funds based on the calculated balance of cash from each source.
- The City has two separate cash general ledger accounts to track Department of Justice and Department of Treasury cash received. However, in many instances, cash deposits were incorrectly recorded in the Department of Treasury general ledger account when the funds were received from the Department of Justice.

The "Guide for Equitable Sharing for State and Local Law Enforcement Agencies" specifically states that agencies should not commingle Department of Justice equitable sharing funds with funds from any other source. We recommend the City establish a separate bank accounts and revenue general ledger accounts to accurately account for funds received from the Department of Justice and Department of Treasury. This will make it easier for the City to account for funds from the two sources easily and allows for interest income and cash deposits to be properly calculated and recorded.

Reconciliation of Federal Forfeiture Funds

During our agreed-upon procedures we noted several instances in which there were discrepancies between funds received, funds expended and amounts recorded in the general ledger as follows:

- Funds originally received in the General Fund Bank account were not consistently transferred to the Federal Forfeiture Fund Bank account. Additionally, funds were not transferred to the Federal Forfeiture fund bank account on a timely basis.

- Federal forfeiture expenditures are paid out of the General Fund. The City will then transfer funds from the Federal Forfeiture bank account to the General Fund bank account to reimburse the General Fund for the expenditures. We noted the City did not consistently transfer funds back to the General Fund for Federal Forfeiture expenditures.
- We noted several instances in which the City reported expenditures that were not paid with Federal Forfeiture Funds.
- We noted several discrepancies between the cash received and amounts recorded in the cash general ledger accounts and the revenue accounts.
- We noted several instances in which transactions were not adequately supported with authorization to expend the funds, receipts or invoices to support the cash disbursement, etc.

In order to strengthen controls over the accounting for Federal Forfeiture revenues and expenditures, we recommend the City implement a policy and procedure that includes the required reviews and approvals for Federal Forfeiture funds expenditures and required supporting documentation for each transaction. Also included in this policy should be a process for tracking and recording transactions, as well as a monthly reconciliation to ensure that funds are being properly transferred between bank accounts and recorded in the proper general ledger accounts on a timely basis. This policy should include clear roles and responsibilities for both the City's Police Department and Finance Department to ensure all parties understand their roles and work together. We recommend this reconciliation is formally reviewed and approved each month and differences are timely investigated and resolved. Once implemented, the City should ensure that employees are trained on the policy and procedure requirements.

This report is intended solely for the information and use of the City and is not intended to be and should not be used by anyone other than those specified parties.

Raleigh, North Carolina
January 25, 2016

City of Greenville
 Cherry Bekaert Federal Forfeiture Agreed Upon Procedures Report
 Summary

CASH RECEIPTS

1. Reconcile Certification Reports to COG General Fund Cash Bank Account

Amount Received per COG General Fund Bank Account	\$ 463,159.00	+
Amount Received per Equitable Sharing Certification Report	463,159.00	-
Difference	<u>\$</u>	<u>-</u>

2. Reconcile Amount Transferred to Federal Forfeiture Cash Bank Account

Amount Transferred to Federal Forfeiture Funds Bank Account	\$ 448,055.00	+
Amount Received per COG General Fund Bank Account	463,159.00	-
Difference	<u>\$</u>	<u>(15,104.00)</u>

Difference Represents Forfeiture Cash Never Transferred From City's General Fund Cash Account to Federal Forfeiture Cash Account

3. Timeliness of Funds Transferred to Forfeiture Cash Bank Account

Amount Transferred to Federal Forfeiture Funds Bank Account	\$ 448,055.00	+
Amount Transferred Within 30 Days of Cash Receipt	259,987.00	-
Amount Transferred After 30 Days of Cash Receipt	<u>\$</u>	<u>188,068.00</u>
Percentage Transferred After 30 Days of Cash Receipt	41.97%	

4. Tracing Cash Receipts to Revenue Accounts in the General Ledger

Amount Received per COG General Fund Bank Account	\$ 463,159.00	+
Amount Recorded as Revenue in General Ledger	378,248.00	-
Adjusting Journal Entries Made by City	46,231.00	-
Difference	<u>\$</u>	<u>38,680.00</u>

Difference Represents Amount of Forfeiture Cash Receipts Never Recognized as Revenue Within the City's General Ledger

City of Greenville
 Cherry Bekaert Federal Forfeiture Agreed Upon Procedures Report
 Summary

5. Tracing Cash Receipts to Cash Accounts in the General Ledger

Amount Received per COG General Fund Cash Bank Account	\$ 463,159.00	+
Amounts Recorded in General Ledger Cash Accounts:		
Dept of Justice General Ledger Cash Account	297,703.00	-
Dept of Treasury General Ledger Cash Account	165,037.00	-
Adjusting Entries Posted by City to General Ledger Cash Accounts	63,034.00	-
Difference	<u>\$ (62,615.00)</u>	

Difference Represents Amount of Forfeiture Cash Receipts Not Recorded in the City's General Ledger Forfeiture Cash Accounts

6. Cash Expenditures Traced to the General Ledger

Federal Sharing Funds Spent by the City of Greenville 2010-2014	\$ 331,246.00	+
Amount of Spent Funds Reimbursed Back to the General Fund	194,365.00	-
Difference	<u>\$ 136,881.00</u>	

Difference Represents Federal Sharing Funds Spent But Never Reimbursed Back to the General Fund. Note that the City pays all Federal Forfeiture Fund Expenditures Through the General Fund Bank Account and Then Transfers the Amount Spent From the Federal Forfeiture Bank Account to the General Fund Bank Account.

CASH DISBURSEMENTS

1. DAG-71 Form: Application for Transfer of Federal Forfeited Property

This form is completed by the Police Department and submitted to the DOJ as a request for a percentage reimbursement of the asset seized.

Number of DAG-71 Forms Completed	78.00
Number of DAG-71 Forms w/ Verification of Signature and Certification	76.00
Difference	<u>(2.00)</u>

Difference Represents Number of DAG-71 Forms for Which Signature and Certification Could Not be Verified.

Number of DAG-71 Forms Completed	78.00
Number of DAG-71 Forms Completed Within 60 Days of Seizure	76.00
Difference	<u>(2.00)</u>

Difference Represents Number of DAG-71 Forms That Were Not Completed Within 60 Days of Seizure.

City of Greenville
 Cherry Bekaert Federal Forfeiture Agreed Upon Procedures Report
 Summary

2. Allowable Purpose of Cash Disbursements

There Were No Identified Transactions That Were For a Purpose Other Than Those Specified in the "Guide for Equitable Sharing for State and Local Law Enforcement Agencies"

3. Transactions Not Supported by Invoices and / or Receipts

	# of Transactions	Total Amount
Fiscal Year 2010	8.00	\$ 1,112.00
Fiscal Year 2011	64.00	15,658.00
Fiscal Year 2012	1.00	12,150.00
Total	73.00	\$ 28,920.00

The Total Amount Above Represents the Amount for Transactions for Which No Invoices and/or Receipts Could be Found to Substantiate. Therefore, These Transactions are Not Allowable.

4. Transactions Reported as Forfeiture Expenditures But Paid by With Other City Funds

	# of Transactions	Total Amount
Fiscal Year 2012	3.00	\$ 63,823.00

The Total Amount Above Represents Amounts Originally Recorded and Claimed as Funded With Federal Forfeiture Funds But Were Actually Paid With Other City Funds and are Therefore Not Allowable.

5. Authorization and Support for Cash Disbursements

The Following is a Summary of Transactions for Which There Was Identified a Proper Invoice or Receipt But Did Not Have Evidence of a Purchase Order and/or Other Proper Authorization Prior to the Purchase Being Made:

	# of Transactions	Total Amount
Fiscal Year 2010	1.00	\$ 14,303.00
Fiscal Year 2011	11.00	1,612.00
Fiscal Year 2014	7.00	11,205.00
Total	19.00	\$ 27,120.00

The Above Total Amount Represents Transactions For Which Proper Internal Controls for Prior Approval Were Not Followed or That Evidence Cannot be Found to Substantiate That Proper Internal Controls for Prior Approval Were Followed.

City of Greenville
Cherry Bekaert Federal Forfeiture Agreed Upon Procedures Report
Summary

6. Federal Forfeiture Fund Expenditures Traced to General Ledger	
Amount Recorded in Federal Forfeiture Fund Expense Accounts	423,990.00
Federal Forfeiture Funds Spent by the City of Greenville 2010-2014	<u>331,246.00</u>
Difference	92,744.00
Less Transactions not Supported by Invoices or Receipts	(28,920.00)
Less Adjustments made by City for Amount Originally Claimed as Federal Forfeiture Expenditures but paid with other funds	(63,823.00)
Immaterial difference due to rounding	1.00



ADMINISTRATIVE PROCEDURE

City of Greenville

Procedure Title: <i>Equitable Sharing Policy and Procedure</i>	Procedure Number:	Effective Date: 1/1/2016
	Version: <input checked="" type="checkbox"/> Original Version <input type="checkbox"/> Replaces Version Dated:	Issuing Department/Division: Financial Services
	Approved By: Bernita W. Demery, Director of Financial Services	

PURPOSE

To ensure proper use of standard accounting procedures and internal controls to track equitably shared monies and tangible property in accordance with the requirements of the Department of Justice (DOJ) *Guide to Equitable Sharing for State and Local Law Enforcement Agencies (Guide)* (April 2009) and updated guidance issued on July 30, 2014.

POLICY

Greenville Police Department (GPD) and the Financial Services Department have responsibilities for adherence to the *Guide to Equitable Sharing for State and Local Law Enforcement Agencies (Guide)* (April 2009) and updated guidance issued on July 30, 2014 and any City of Greenville Policies and Procedures that correlate with use of equitably shared monies and property. The responsibilities of each department will be set forth in this policy.

RESPONSIBILITIES

Greenville Police Department (GPD)

- Application for Transfer of Federally Forfeited Property (DAG 71)- Completion and Submission
- Notification to Financial Services' Accounting Supervisor of the disbursement of revenue from DOJ
- Accurate/timely entry of the cash receipt into the financial system (Munis)
- Cash Disbursements – Ensuring proper approvals have been obtained
- Budget amendment request
- Monthly reconciliation between the general ledger (GL) and equitable sharing bank account
- Monthly reconciliation between the Sharing Distribution Report (DOJ) and the equitable sharing bank account
- Annual submission of the Equitable Sharing Agreement and Certificate (ESAC)
- Maintain five years of documentation for retention

Financial Services

- Establish and maintain separate GL (cash, revenue and expense) and bank accounts for equitable sharing funds for Department of Justice (DOJ). Separate accounts will be established for Justice and Treasury, respectively. Funds should not be commingled with funds from any other source.
- Timely notification of the receipt of revenue into the established equitable sharing bank account to the GPD account overseer
- Completion of budget amendments
- Accurate/timely record keeping and transfers to the general fund
- Monthly reconciliation between the GL and equitable sharing bank accounts
- Annual audit- Information to be included within the Schedule of Expenditures of Federal and State Awards (SEFA)

PROCEDURES

Cash Receipts

1. GPD submits an Application for Transfer of Federally Forfeited Property (DAG 71) within 60 days of the seizure.
2. GPD ensures that all sharing request are properly maintained on DOJ's eShare Portal as the Log of Form DAG-71 is no longer required.
3. Equitable sharing funds received from DOJ are deposited directly into the established equitable sharing bank account.
4. Financial Services adequately tracks all revenues posted to the equitable sharing bank account and notifies GPD by email upon receipt.
5. GPD enters the revenue into Munis as a cash receipt within 24 hours of the notification.
6. Financial Services posts the cash and revenue to the GL once the cash receipt has been entered.
7. Financial Services will track and record any interest income monthly.

Cash Disbursements

1. GPD reviews any potential purchase within their department for appropriateness and approval prior to submitting the request for a budget amendment. Within the review and approval process, GPD must determine whether the expense is allowable per the guidelines set forth in DOJ's Equitable Sharing Guidelines.
2. GPD submits a request, to include all departmental authorizations, to the City Manager and Financial Services for a budget amendment.
3. The Financial Services Department will include the budget amendment request the following month for City Council approval.
4. Once the amendment is approved, Financial Services will appropriate the items within the City's General Fund budget.
5. GPD submits all requests for disbursements following their internal procurement policy as well as the City's Procurement Policy. All expenditures must include proper documentation

such as purchase order, receipts and/or invoices and submitted with the request. All documentation must also be maintained for a minimum of five years.

6. Disbursements should route through the appropriate approval process and should be verified for appropriateness by both GPD. Financial Services will review for accurate account numbers and approvals. Purchases should not be made without documented prior approval.
7. GPD Administrator and the Accounting Supervisor will meet each month to discuss expenditures and any other issues that arise, during the previous month. The purpose of this meeting is to reconcile the Sharing report, as provided by GPD, to the cash and revenues that have been posted to the GL. Additionally, reconciliation is performed to account for expenses, in an effort to determine how much would be reimbursed from Federal Forfeiture accounts to the City's General Fund. Documentation (including an agenda) must be maintained by both GPD and the Financial Services department.
8. Following the meeting, the Accounting Supervisor will ensure that all necessary transfers are made to reimburse the General Fund for Federal Forfeiture dollars that have been spent.
9. All transfers to the general fund must be captured in the month following the disbursement to ensure timeliness of inclusion.

Reconciliation

1. The Accounting Generalist will reconcile all Federal Forfeiture bank accounts monthly.
2. Reconciliations will be provided to the Accounting Supervisor and finalized by 15th business day of the following month. Any discrepancies should be resolved between the GPD Administrator and the Accounting Generalist
3. The Accounting Supervisor will review/sign the reconciliation and submit to the Senior Financial Services Manager by the 20th business day of the following month.
4. Upon completion of bank reconciliation, a copy will be submitted to the GPD Administrator to be retained with all related Federal Forfeiture documentation.
5. All reconciliations will be maintained by both GPD and Financial Services.

Record Retention

All documentation pertaining to equitable sharing revenues, expenditures, and tangible property will be maintained for a period of at least five years.

Annual Submission

GPD will submit annually, Equitable Sharing Agreement and Certification (ESAC) within 60 days after the end of the fiscal year. Financial Services will verify the details of the submission prior to the final signatures by the Agency Head (Chief of Police) and the Governing Body Head (City Manager). Revenues and expenditures must be reflected separately on the annual report.

Annual Audit

Financial Services will ensure that an audit is performed consistent with the Single Audit Act Amendments of 1996 and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. All program expenditures must be included in the Single Audit Report and listed on the Schedule of Expenditures of Federal Awards (SEFA). Additionally, all equitable sharing funds must be listed separately and not commingled.

FY 2016 Audit Committee Meeting Dates:

Wednesday, February 10, 2016 11am-12pm
(City Hall Conference Room CR 328)

Wednesday, May 11, 2016 2pm-3pm
(City Hall Conference Room 337)

Wednesday, September 28, 2016 2pm-3pm
(City Hall Conference Room 337)

Internal Discussions Pre-Audit Committee Meetings

Wednesday, January 27, 2016 3-4pm
(City Hall Conference Room 126)

Wednesday, April 27, 2016 11am-12pm
(City Hall Conference Room 126)

Wednesday, September 14, 2016 11am-12pm
(City Hall Conference Room 126)