

Internal Control Items with a Direct Impact on Financial Reporting - Training

Exhibit H

Item Number	Description of Finding	Source	Remediation Complete per Management?	Remedial Actions taken by Management [1]	Date Reported as Remediated [2]	Estimated Completion Date per Management if Remediation Not Complete	Tested by Internal Audit?
1	The City (CFO) should develop an adequate and effective training program for finance employees to ensure that they maintain competency and remain current in such areas as financial management, external and internal financial reporting and reliable public disclosure.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	Yes	Training policies were created by all the departments under the Office of Finance. Policies were provided to Jay Goldstone (COO/Acting CFO) and Labor Relations. Staff from the Labor Relations office reviewed the policies and provided copies to MEA to determine if any "meet and confer" would be required - none were required. Jay Goldstone approved all the training policies on 11/6/07.	Oct-07	NA	Yes - Approved Training Policies were reviewed for Internal Audit, Comptroller's Office, Treasurer's Office, Debt Management and Finance Management to ensure that the policies included training requirements that would ensure staff maintain competency and remain current in their respective field/area. This item has been accepted by Internal Audit as remediated.
2	The City should educate the employees responsible for recording sewer invoices on how to identify the appropriate supporting documentation for Municipal and Metropolitan allocations in order to reduce the likelihood of significant misclassifications.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	Yes	MWWD has established a documented training plan requiring annual training to all MWWD analysts, accountants, and accounts payable staff. The training topics are: Muni/Metro Accounting, Importance of input documents to accurately reflect Muni/Metro expenditures, Allocation methodologies and documentation, and Allocations versus direct charging.	Oct-07	NA	Yes - Training Plan was reviewed. Per the Training Plan, training is to occur on an annual basis. Auditor also reviewed the agenda and appointment list of training attendees for the first annual training that commenced on June 14, 2007. This item has been accepted by Internal Audit as remediated.

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3	<p>Funding should be added to the budget to ensure adequate training of personnel to ensure that they remain current on financial reporting standards.</p> <p>By providing adequate training budgets to departments, the City can ensure that staff maintain the knowledge, skills, and abilities to effectively accomplish department goals and objectives while complying with applicable laws and regulations.</p>	<p>Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report</p> <p>A&C Internal Control Report</p>	Yes	<p>A comparison of FY2007 budget for Office of Finance employee training to FY2008 budget for employee training shows an increase of \$289,550 or 305%. Per 2/21/07 4th Mayor Kroll Status report: Continual. Many of the accounting staff within the Auditor & Comptroller's Office has gone to at least one training session during this fiscal year. Specific funding will be included in the fiscal year 2008 budget for additional training opportunities in both this Auditor's budget as well as in the Financial Management.</p>	Oct-07	NA	<p>Yes - Because the item specifically calls for training regarding "financial reporting standards", auditor reviewed the budgetary information for the departments that are part of the Office of Finance, as these are the positions that would benefit from staff remaining current on financial reporting standards.</p> <p>A comparison of the FY07 budget to the FY08 budget for the Office of Finance Departments, showed a total increase in the amount of funds budgeted of 305%. This item has been accepted by Internal Audit as remediated.</p>
4	<p>Classification of Metro versus Muni expenses is inadequately controlled.</p>	<p>A&C Internal Control Report</p>	Yes	<p>MWWD has established a documented training plan requiring annual training to all MWWD analysts, accountants, and accounts payable staff. The training topics are: Muni/Metro Accounting, Importance of input documents to accurately reflect Muni/Metro expenditures, Allocation methodologies and documentation, and Allocations versus direct charging.</p>	Oct-07	NA	<p>No</p>

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5	Training of City staff and elected officials regarding their disclosure obligations under federal and state securities should be conducted no less frequently than every two years.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	Yes	<p>Certain elected officials received disclosure training related to obligations under federal and state securities on 3/6/07. The training was provided by outside disclosure counsel from Hawkins Delafield & Wood LLP. In addition, on 4/9/07 training was provided by the City's independent auditors from Macias Gini & O'Connell LLP.</p> <p>For City staff, a two-part training session was conducted by outside disclosure counsel on April 25 and 26, 2007. The session on 4/25/07 included the Mayor, the Executive Team and Community & Legislative Services staff. The session on 4/26/07 was provided to departmental staff that directly or indirectly contribute to preparing or reviewing language that becomes part of the City's or an Agency's disclosure.</p> <p>The City's Disclosure Controls and Procedures are in the process of being amended to require that disclosure obligations training under federal and state securities be conducted no less frequently than every 2 years. Currently, the controls and procedures require disclosure training but are silent on the frequency of recurring training.</p>	Oct-07	NA	No
6	The CFO, in consultation with two newly created entities - the Auditor General and the Audit Committee, should assume oversight authority for an effective annual training program for the financial reporting staff who report to them.	Mayor's 8/24/06 Response to Remedial Recommendations Found in the Kroll Report	Yes	Internal Audit created an audit program for an annual review of training policies/programs maintained by all departments under the Office of Finance. Jay Goldstone (COO/Acting CFO) approved the audit program on 11/6/07.	Oct-07	NA	No

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7	<p>The lack of adequate training, while prevalent throughout the City organization was, particularly acute in the Auditor's professional staff. The accounting and reporting of municipal financial transactions is a complex subject matter area governed by numerous accounting rules and standards - many of which are highly conceptual in nature and elusive in their proper interpretation and application.</p> <p>The City is at risk of being non-compliant with laws and regulations. Ensure department and staff are familiar with pertinent laws, regulations, and business practices and techniques to facilitate the effective and efficient performance of their duties.</p>	A&C Internal Control Report	In Process	<p>Training of City staff - see actions for items 1-6.</p> <p>The Business Operations/Administration Department sent an initial request to Deputy Chiefs and Department Heads to review and make recommendations (update, repeal, rewrite, etc.) to ARs under their responsibility. We have recently begun to request updates on a bimonthly basis. Some ARs have been updated and new ones have been established. However, there are still many existing ARs requiring action. Once we have updated all ARs (target date is June 30, 2008), the Business Operations/Administration Department will send a memo in January of each year requesting a review of Citywide Policies and Procedures.</p> <p>In addition, as ARs, and policies are updated, a memo from the Chief Operating Officer is issued with a list of the update/new policies and procedures in place and the documents are posted on the intranet.</p>	NA	Jun-08	No

Footnotes:

- [1] Per information provided to Internal Audit by Management Staff and information provided via the Mayoral Kroll Status updates.
 [2] "Date Reported" refers to the date the finding was reported as remediated via: 1) Memos from Management, 2) Mayoral Kroll Status Reports, 3) Status Reports to Internal Audit from Process Owners, 4) Independent Auditor's Reports and 5) Report from John Dyer, Mayoral Consultant, to Internal Audit.