

INTER-OFFICE MEMORANDUM

CITY OF HARRISBURG

April 14, 2016

TO: Ben Allatt, Budget & Finance Committee Chair
City Council

Wanda Williams, City Council President
City Council

FROM: Charlie DeBrunner, Controller
Office of the Controller

SUBJECT: Cash Balances

Presently there are over \$11.5 million dollars in realized or potential revenue that is not accounted for on the City's cash books. We are suggesting that you ask the Mayor to develop an appropriation bill that would place these funds in a separate line in the General Fund so that any transactions related to these funds would be transparent.

The current status allows the Administration to access these funds without notification to City Council.

As an example, earlier this year the city received invoices related to payment for snow removal services of roughly \$740,000. In order to timely pay these bills the administration transferred cash from a defunct Sanitation/Disposal account to the Neighborhood Services Fund to cover these expenditures. Additionally, the Administration unilaterally raised the appropriation in the Miscellaneous Contracted Services line so that sufficient appropriation was available to allow the expenditure.

The snow removal was clearly an emergency and as such was exempt from normal procurement procedures. We are also aware of the importance of getting the contractors paid timely. We understand the need to streamline the process.

That having been said, the transparent thing to do would have been to write a memo to city council explaining the steps the administration took to streamline the process and a promise to follow up with proper legislative activity as soon as practicable.

Last year the surplus from 2014 (which was about \$6 million at the end of 2014) was never accounted for on the cash books. This allowed the Mayor to overspend revenue in 2015 by \$3.9 million without the necessity of coming to you to request a reallocation of revenue. As a result the fund balance has been almost completely depleted without any transparency.

These transactions are inappropriate and harken back to the accounting methods employed by prior administrations. We believe that all financial transactions should be transparent and that an appropriate paper trail be available to document these transactions.

To remedy this problem we would recommend that you request the Mayor appropriate the funds described above to a separate line item in the General Fund called Revenue Over Expenditures which in fact will create a fund balance on the city cash books. If the Mayor

needs to access these funds he will need to request an approval of transfer of funds from City Council.

In addition he should be instructed that there are very limited circumstances where he or his staff should change the appropriation in the financial management system without Council's expressed legal authorization.

Please feel free to contact me if you would like to discuss. Thank you.

cc: Mayor Eric Papenfuse