

INTER-OFFICE MEMORANDUM

CITY OF HARRISBURG

April 15, 2014

TO: Bruce Weber, Finance Director
Bureau of Financial Management

FROM: Charlie DeBrunner, Controller
Office of the Controller

SUBJECT: Month-End Close Process

I would like to bring to your attention several items related to the Bureau of Financial Management's month-end close process. During our recent compilation of the Controller's monthly report to elected officials, I noticed several items that did not appear on the January through March reports. These items, if not recorded consistently, may produce misleading conclusions about the city's financial status:

1. Health Benefit expenditures have not been recorded through March 2014. This line item represents approximately \$10 million per year or 17.4% of the 2014 adopted General Fund expenditure budget. Based on the budgeted amount, unrecorded expenditures for the first quarter of 2014 could be \$2.5 million. I recommend that health care expenditures be charged back to the respective funds on a monthly basis prior to closing the month. If cash flow is an issue, the reimbursements could be broken down into two bi-monthly charge-backs and/or put on hold in the accounts payable system.
2. Loss Time Medical expenditures have not been recorded through March 2014. This line item represents approximately \$1.1 million per year or 1.9% of the 2014 adopted General Fund expenditure budget. Based on the budgeted amount, unrecorded expenditures for the first quarter of 2014 could be \$275,000. I recommend that Loss Time Medical expenditures be charged back to the respective budget units on a monthly basis prior to closing the month. As in item one above, if cash flow is an issue, the charge-backs should be done more frequently and/or suspended in the accounts payable system.
3. Expenditures for General Fund Sick Leave Buy-Back were incorrectly recorded as overtime for the months of February and March (\$18,182 and \$96,475, respectively). This error could have resulted in an over-projection of 2014 overtime expenditures by \$868,000. The Bureau of Financial Management should carefully review the bi-weekly payroll documents to ensure payroll costs are being correctly categorized.
4. Hotel Tax revenue transfers from the Capital Projects fund have not been processed through March 2014. This revenue line item represents approximately \$740,000 per year or 1.3% of the 2014 adopted General Fund revenue budget.

Based on the budgeted amount, unrecorded revenues for the first quarter of 2014 could be \$185,000. I recommend that Hotel Tax collections be transferred from the Capital Projects Fund into the General Fund on a monthly basis. Additionally, any prior year tax (cash) that has not been transferred (approximately \$827,000 as of 12/31/13) should be added to the monthly transfer amount on a systematic and rational manner.

5. Street Cut Inspection/Degradation revenue in the Capital Projects fund has not been transferred through March 2014. This revenue line item represents approximately \$87,000 per year. While this amount is not as material to the General Fund revenue budget, it does represent additional resources which are intended to offset paving and street maintenance expenses in the Public Works Department. Prior year-end cash balance of \$147,000 is also available and should be transferred.

6. There were no recorded Earned Income Tax receipts in the General Fund for the month of March. The Budget Office should coordinate with the Office of the Treasurer to ensure revenues are recorded in the month of receipt.

7. There were no recorded Shared Costs-THA receipts in the General Fund for the month of March. The Bureau of Financial Management should ensure that invoices are generated each month and The Harrisburg Authority is timely billed for any applicable shared costs.

There may be other revenue and expenditure line items in the 2014 adopted budget that require manual adjustment or follow-up at the end of each month. Hopefully your Budget Office will become accustomed to monitoring, recording, and adjusting them as needed prior to closing future periods. If my office can be of assistance, please feel free to contact me.

Thank you.

cc: File