

HARRISBURG CITY CONTROLLER RELEASES INDEPENDENT CONSULTANTS REPORT ON REVIEW OF THE OFFICE OF THE TREASURER

In August 2014, John Campbell, the former Harrisburg City Treasurer, was arrested for embezzling funds related to several nonprofit bank accounts over which he had control. Our office decided to review the Treasurer's Office to determine if any criminal activity had occurred. It soon became clear that the Controller's Office personnel did not have the skill set to adequately perform this review.

With the support of the Mayor, Treasurer and City Solicitor the city entered into an agreement with the firm of Alvarez and Marsal to provide assistance in analyzing financial information and other relevant data related to cash. This was not a forensic audit. To keep costs down we asked them to assist the city in our review of the processes and internal controls related to cash. We agreed that if the independent experts found evidence of illegal activity we would move forward with the expensive forensic audit.

The consultants submitted their report in late February 2016.

Salient Findings:

- No instances of suspicious financial activity came to the consultant's attention; however, they noted that the state of the city's financial records made it less likely that suspicious financial activity would be detected in the course of their high level review.
- There are numerous serious internal control problems in the Treasurer's Office
- There are numerous serious accounting problems shared by both the Treasurer's Office and the Bureau of Financial Management under the Mayor's Department of Administration.
- There appears to be a culture at the city where errors are accepted and expected.
- There are no written policies and procedures in place in the Treasurer's Office or in the Bureau of Financial Management, resulting in inconsistent data.
- The report makes several recommendations about procedures that need to be improved. While fixing the procedures will be difficult, the more difficult problem is changing the culture of accepting errors as a matter of course in the city's accounts.

In short the city's general ledger is at greater risk of containing material misstatements and therefore the city's financial data could be misleading. With the city in such a precarious financial situation it is imperative that the city's financial professionals strive to be as close to 100 percent accurate as is humanly possible.

I am hopeful that this report will motivate the Mayor and the Treasurer to improve the city's internal controls and change the default expectation to one where the city's financial records are given the attention they deserve.

The full report can be found on my website at www.harrisburgcitycontroller.com. For questions or comments please call Deputy Controller Bill Leinberger or me at 717-255-3070.

Charlie DeBrunner
Controller
03/14/2016