



**CITY OF HOPEWELL**  
Hopewell, Virginia 23860

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**AGENDA**

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**CITY COUNCIL**

John B. Partin, Jr., Mayor, Ward #3  
Jasmine E. Gore, Vice Mayor, Ward #4  
Rita Joyner, Councilor, Ward #1  
Michael B. Harris, Councilor, Ward #2  
Janice B. Denton, Councilor, Ward #5  
Brenda S. Pelham, Councilor, Ward #6  
Dominic R. Holloway, Sr., Council, Ward #7

Concetta Manker, Interim City Manager  
Danielle Smith, City Attorney  
Alisa Parham, Acting City Clerk  
Ishae Sandiford, Acting City Clerk

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May 11, 2023

**SPECIAL MEETING**

Special Meeting - 7:30 p.m.

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**OPEN MEETING**

7:30 p.m. Call to order, roll call, and welcome to visitor

Roll Call

**SPECIAL MEETING**

**REGULAR BUSINESS**

S-1 – Review and Discuss Assessment and Compliance Audit Service Presentation from Alvarez & Marshal

**ADJOURNMENT**



**Commonwealth of Virginia  
Secretary of Finance**

**Current State Financial Assessment and  
Stabilization and Turnaround Plan for the  
City of Hopewell, Virginia**

**May 9, 2023**

**Alvarez & Marsal Public Sector Services, LLC  
655 15<sup>th</sup> Street NW, Suite 600  
Washington DC, 20005**



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## EXECUTIVE SUMMARY

### A. Introduction

#### 1. Background

The City of Hopewell (the “City”) is an independent city incorporated within Prince George County on the Appomattox River in the Commonwealth of Virginia and is home to over 23,000 residents. On December 9, 2022, the Virginia Auditor of Public Accounts (APA) formally identified the City as potentially being fiscally distressed and recommended invoking an intervention per the Commonwealth of Virginia State Budget language § 4-8.03 LOCAL GOVERNMENTS.

In its solicitation, the Commonwealth of Virginia identified significant concerns regarding the City’s lack of timely financial reporting and audit controls, including the lack of an unqualified or “clean audit” since FY 2014, and the lack of any Annual Comprehensive Financial Reports (ACFRs) or Federal single audits since FY 2018. As a result, the APA has been unable to accurately evaluate the financial condition of the City.

Based on its review of the City’s 2018 audit report, the APA observed certain internal, organizational factors and conditions that may indicate a situation of distress, including:

- Lack of essential resources and sufficient internal staff with expertise in local government operations, accounting, and financial reporting necessary to timely and accurately process and record financial accounting transactions, and perform critical finance functions
- Inadequate resources to address post-system implementation issues since implementing new financial and business operations software in 2016
- 84% of audit findings identified by independent accountants for FY 2014 - 2018 remain unaddressed
- Ineffective implementation of the new ERP system, Tyler Munis (“Munis”), and inadequate resources which prevent the City from properly updating, automating, and designing procedures and processes to align with the functionality of the system, and implementing all key modules and features of the ERP system to support proper internal controls and reporting mechanisms
- Insufficient training for staff to support their responsibilities for performing various business processes within the ERP system
- Need for the City to assess its organizational structure and improve the internal control framework across all departments and critical business functions



As an extension of the observations related to financial statements and audits outlined above, the State identified concerns related to rebates owed to water and wastewater manufacturer ratepayers (i.e., Industrial Partners) and concerns regarding the use of Federal COVID relief funds (“State and Local Fiscal Recovery Funds” or “SLFRF”). Additionally, the City’s credit ratings were withdrawn in 2018 and it has not issued any long-term General Obligation (G.O.) debt for major capital infrastructure since 2015.

## 2. *Scope of Work*

The Commonwealth of Virginia (the “Commonwealth”) engaged Alvarez & Marsal Public Sector Services, LLC (“A&M”) to perform a four-week, current state assessment and provide turn-around advisory services to assist the City in completing state-required financial audits, including conducting assessment of organizational structure and controls to help the City identify opportunities to improve its internal control framework. A&M’s assessment was structured across four tasks:

- Task 1.      **Audit Status:**** Assessment of the City’s financial audit reporting and internal control processes
- Task 2.      **Financial Health:**** Assessment of the current financial condition of the City and its component units (i.e., Hopewell City Public Schools, Children’s Services Act, etc. collectively, “Component Units”)
- Task 3.      **Organizational Challenges:**** Assessment of the City’s organizational financial structure and internal control framework
- Task 4.      **Wastewater Rebates & COVID Grants:**** Budget and financial analysis regarding the City’s Wastewater Treatment Facility rebates owed and use of Federal COVID Relief Funds

A&M conducted interviews with over 50 City leaders and staff with financial responsibilities as well as various external parties as recommended by the Commonwealth and external subject matter experts

A&M performed various analyses of City financial statements and data sets and conducted a review of available policy, process, and organization documents; however, A&M’s ability to develop a comprehensive assessment of the City and its Component Units **was limited by the inability of the City to provide key requested items**<sup>1</sup>. Notably absent among the requested items were unaudited financial statements for FY2019 – FY2022

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<sup>1</sup> After six weeks of efforts, of the requested items, ***the City only provided 59% (48 of 82) of requested documents.*** Appendix F – State of Information & Data Requests provides the detailed summary of the documents requested and provided.



Based on financial statement and data analysis, document review, and interviews, A&M outlined key findings and observations, and highlighted priority recommendations to support the City in moving toward the issuance of timely and accurate financial statements which yield “clean” audits. These findings and recommendations are outlined at a high level by task below.

## B. Key Observations, Findings, and Recommendations

During the four-week review, A&M validated many of the concerns previously identified by the Commonwealth, the City’s auditors, and other stakeholders. Major finding and observations include:

### Figure 1. Executive Summary of Key Observations & Findings

#### Audit Status

- Significant problems from FY 2015 to 2018 audits still unresolved, including serious deficiencies in internal controls, processes, and procedures
- FY 2019 audit likely to be qualified
- City needs several years of consistent timeliness and ‘clean’ audits to regain credit rating
- Unclear if month end and year end reconciliation procedures and controls even exist to reconcile revenues and expenses to General Ledger

#### Financial Health

- Inability for City to understand its true cash position, cash and fund balances, accounts receivable, long-term liabilities and obligations, deferred maintenance and capital improvement needs
- No long-term financial planning or forecasting available
- Irregularities in financial management system and general ledger lead to inability for City to understand full financial position and budget, and cannot drive decision making

#### Organization Challenges

- Workforce capacity and skill set issues impair ability to resolve significant accounting issues
- Limited or non-existent financial management policies and procedures
- Lack of training and processes/procedures for existing and new hires
- No existing plan to address outstanding audit findings



**Wastewater Treatment Facility & COVID Grants**

- Significant wastewater rebates owed to manufacturers delayed due to audit issues and inadequate financial management. City not reserving liability on balance sheet
- Lack of detail to support grant expenditures, could be an issue for federal and state reporting purposes

**Other Assessment Challenges**

- Critical information requested still not received after six weeks of meetings, interviews, and repeated requests

Figure 2. summarizes the 27 Strategic Improvement Recommendations and the critical priority rankings that is supported by our report findings and observations. The estimated Days to Complete was developed as part of the Stabilization & Turnaround Plan that identified the resources needed to complete the recommended improvement detailed actions and tasks.

**Figure 2: Summary of Strategic Improvement Recommendations**

Recommendation Initiatives	Days to Complete	Priority
<b>Audit Status</b>		
1. Establish Fiscal Turnaround PMO to manage priority recommendations and address backlog of cash and general ledger reconciliations with enhanced resource teams	180	High
2. Implement Critical Action Plans to address prior year's material weakness and internal control audit findings (*)	160	High
3. Execute workplan to complete the four outstanding audits as soon as practical, but at least within the next 12 months (*) <sup>2</sup>	90	High
4. Create current month and year end closing processes (*)	45	High
5. Establish a separate audit for the Hopewell City Public Schools	90	Low
<b>Financial Health</b>		
6. Measure and monitor the financial health and year-to-date performance of the City	90	Medium
7. Create multi-year financial plan	60	High

<sup>2</sup> (\*) While the Turnaround Plan actions and tasks are reflected to be completed within the next six to nine months, the full implementation of several of the overall tasks (e.g., Complete prior year audits, Improvements to the FY2024 audit process, Implementation of Priority Based Budgeting, etc.) will extend into the Fall/Winter of 2024



Recommendation Initiatives	Days to Complete	Priority
8. Evaluate cash management and investment practices	45	Medium
9. Identify alternative capital financing options	90	Medium
10. Create an annual Priority Based Budget process (*)	60	Low
<b>Operational Challenges</b>		
11. Recruit, hire, and retain experienced and qualified Finance and Treasury professionals	90	High
12. Develop a Service Delivery Model so City financial services are designed, organized, standardized, and delivered to meet the needs of City staff	120	Medium
13. Establish key department operation performance indicators	90	Low
14. Establish financial management policies and procedures based on best practices	90	High
15. Establish internal control framework	120	High
16. Centralize cash management collections and reconciliation process	90	Medium
17. Centralize AP intake process	60	Medium
18. Assess the City's current use of Munis Fixed Asset module and fit/gap against best practices	60	Medium
19. Leverage automation tools to support account reconciliations and period-end tasks	60	Medium
20. Align financial and accounting business processes and chart of accounts to ERP functionality	120	High
21. Implement Munis process and user procedure guides	90	Medium
22. Assess capital improvement strategy to move Munis ERP to cloud Software-as-a-Service (SaaS) from on-premises operating solution	90	Low
<b>Wastewater Facility Rebates &amp; COVID Grants</b>		
23. Evaluate use of outside revenues for inclusion in rebate calculations	30	High
24. Finalize capital and operating improvement plan by Dewberry Associates for the wastewater facility	60	High
25. Estimate prior year Manufacturer Rebates using unaudited financials with true-up when audits are complete	30	High





Recommendation Initiatives	Days to Complete	Priority
26. Create monitoring system to ensure COVID SLFRF are aligned to approved grants uses	30	High
27. Add one (1) new Grants Management Officer to streamline the process of monitoring, managing and application of new grants	90	High

This Assessment Report provides a detailed roadmap and plan for implementing these **27 strategic improvement recommendations and over 430 actions and detailed tasks** to address these findings. The **Stabilization and Turnaround Plan** section of this report provides the outline or roadmap of the needed actions to address the strategic improvement recommendations.

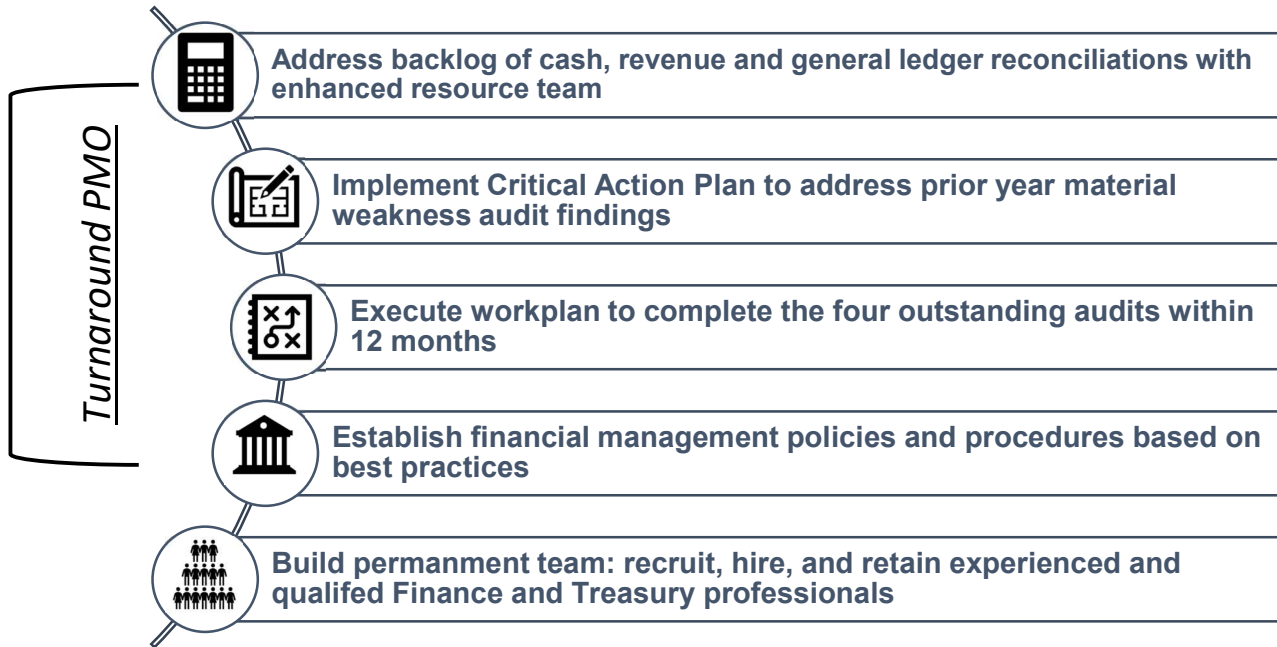
While each of the 27 improvement recommendations are essential for improved financial accountability of the City, there are however, essential Key Priorities that should have the highest priority and focused level of effort over the next 90 days. This next section will discuss the key essential priorities.

### C. Key Priorities and Next Steps

While the Stabilization and Turnaround Plan lays out in detail the recommended actions to address findings and help the City make progress toward reliable financial statements, the following section highlights the executive level actions recommended to support implementation:

**1. Immediate Implementation of Priority Initiatives:** The City Council should direct the City Manager and key department heads to (1) move forward immediately with strategic recommendations and priority initiatives of the Stabilization and Turnaround Plan and (2) comprehensively address all findings outlined within this report. Figure 3. below outlines the highest immediate and essential priorities that are needed to address key issues that have hampered the issuance of a clean audit opinion in recent fiscal years.

**Figure 3: Essential Priorities for “Clean” Audit**



Of importance, in order for the City to complete the remaining four prior year financial audits over the next 12 months, it is essential that a new business process model and planning process framework is executed to address the critical tasks including: (1) reconciliation of cash, revenue and general ledger accounts and (2) implementation of a Critical Action Plan to address prior year material weakness and internal control audit findings.

However, without addressing the reconciliation backlog and prior year audit findings, the City’s ability to complete all four audits within the next 12 months could be significantly challenged. Immediate future “clean audits” will be in jeopardy due to the inconsistency in addressing timely closings and cited internal control weaknesses.

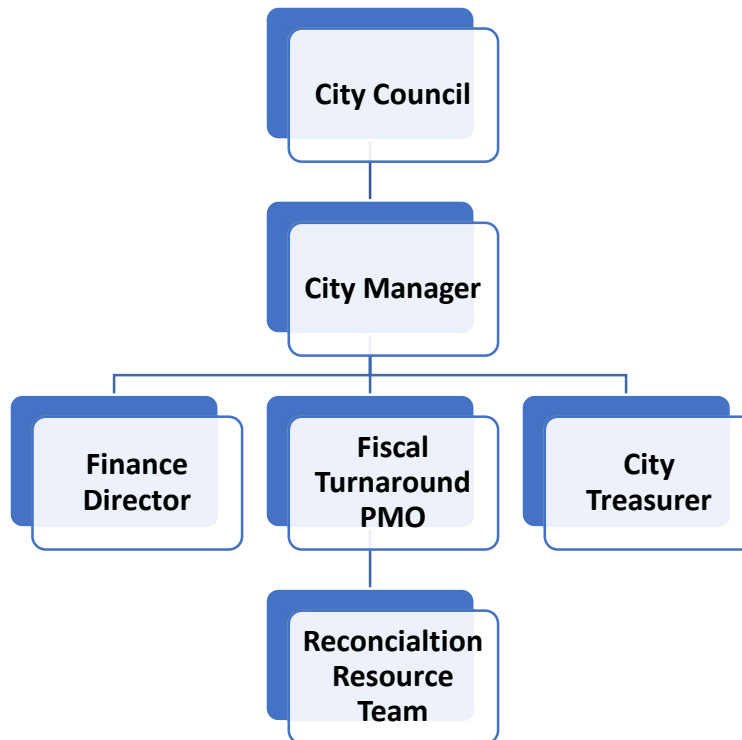
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2. **Establish a Fiscal Turnaround Project Management Office (“PMO”):** The City Council should move immediately to support the City Manager and the Finance Department with the establishment of a Fiscal Turnaround Project Management Office to oversee the Stabilization Turnaround Plan. Major oversight roles of the Fiscal Turnaround PMO will be to:
- Create Critical Action Plan to address outstanding material weakness and internal control issues
  - Develop plan and framework to complete prior year fiscal audits and improved reconciliations
  - Monitor the progress of the annual audit planning and coordination
  - Complete fit gap analysis to address business process issues with the current Munis EFP system financial modules and align best practices business processes
  - Manage the implementation of priority improvement tasks
  - Create accountability reporting structures to City Council, the City Manager, Elected City Officials and Component Units on the success in the implementation of the recommendations and tasks

***The Fiscal Turnaround PMO should manage the monitoring of the overall plan efforts for a period of up to 180 days*** and then transition these efforts to the City Manager and/or Finance Director, after the completion of key recommended tasks and initiatives. ***The Fiscal Turnaround PMO should meet regularly with City Council on the status of the recommendations and any hurdles or risks for implementation.***

It is recommended that a Fiscal Turnaround PMO Team of two full-time staff resources for up to 180 Days and added professional short term resource teams (six to eight fulltime) for 60 to 140 days to address the Key Priority Recommendations.

Existing City Employees (and recommended new fulltime positions) within the Finance Department and City Treasurer Office will focus on improved day to day operations and improvement recommendations related to the current and future operations.

**Figure 4: Recommended Oversight Structure**



**Finance & City Treasurer’s Office**

- Manage day to day operations
- Hire of key fulltime employees
- Support PMO developing policies and procedures
- Create recommended monthly reports
- Create and monitor cash forecasts and investments
- Develop multi-year financial plan
- Point of contact with external Auditor
- Implement monthly closing process for accurate and timely reconciliations and postings
- Implement operational improvements and internal controls
- Monitor revenue collections and cash deposits

**Fiscal Turnaround PMO**

- Create Critical Action Plan to address outstanding material weakness and internal control issues
- Manage the implementation of priority improvement tasks
- Develop plan and monitor progress to complete prior year fiscal audits
- Complete fit gap analysis to address business process issues with the current Munis EFP and align best practices business processes
- Coordinate the reconciliation processes for cash, revenue and other general ledger accounts “surge” teams
- Create Turnaround Plan accountability status reports to monitor progress of actions



The Fiscal Turnaround PMO team allows the permanent financial management staff to focus on the day-to-day operations of the City and contribute to the lasting processes, policies, and procedures needed to support long-term stability.

3. **Prioritize Hiring and Training:** A&M recommends that the City Council and City Manager emphasize both hiring and training within the Finance Department and City Treasurer’s Office. The City must act quickly to recruit and hire fulltime positions and implement training on accounting and reconciliation practices, Munis business processes, and Governmental financial operations and best practices.
4. **Require Bi-Weekly Status Updates:** A&M recommends that the City Council and the Council Finance Committee should require bi-weekly updates from the City Manager, Department Heads, and impacted Elected Officials (i.e., City Treasurer and Commissioner of Revenue) on the status of the implementation of the Stabilization and Turnaround Plan.
5. **Improve Communication:** A&M recommends that the City Manager take steps to improve communication between the City, various Component Units and the Wastewater Facility Treatment Commission, and the citizens of Hopewell
6. **Focus on Improving Creditworthiness to Support Infrastructure Needs:** While the City makes progress implementing the Stabilization and Turnaround Plan, the City’s elected and appointed officials should prioritize actions which improve creditworthiness to support infrastructure investments. Figure 5 outlines key areas for the City to focus on based on the consolidation of the various industry rating agency criteria from the three national rating firms (i.e., Standard & Poor’s, Moody’s, and Fitch).

Figure 5: Improvement Strategies to Maximize Credit Ratings

Rating Area	Credit Rating Maximization Initiatives
<b>Management &amp; Operating Performance</b>	<ul style="list-style-type: none"> <li>• Complete audits withing <b>six months of the close of the fiscal year</b></li> <li>• Institute a process to <b>address audit findings timely to reduce likelihood of repeat findings, material weaknesses, and qualified opinions</b></li> <li>• Drive stability in the organization by <b>reducing vacancies and attrition and hiring experienced and qualified Finance Department and City Treasurer staffing resources</b></li> </ul>



<b>Liquidity &amp; Reserves</b>	<ul style="list-style-type: none"><li>• Reconcile cash so that there is a complete and <b>accurate view of the cash position</b></li><li>• <b>Increase the reserve policy for unassigned GF fund balance</b> from 10 percent to 16.7 percent and maintain balance at least at the policy level (<i>GFOA recommends at least 16.7 percent of next year's budget</i>)</li></ul>
<b>Revenue &amp; Expenditure Framework</b>	<ul style="list-style-type: none"><li>• <b>Forecast revenues</b> based on projected changes in tax base to align out-year budgets with anticipated trends</li><li>• <b>Manage increases in spending</b> to be in line with or below expected revenue growth</li></ul>
<b>Debt &amp; Pensions</b>	<ul style="list-style-type: none"><li>• <b>Maintain a clear view of long-term liabilities, debt position, including pensions, OPEB, and other liabilities</b></li><li>• <b>Monitor debt service coverage ratios</b> and compliance with debt covenants` and disclosure requirements</li></ul>
<b>Economy &amp; Tax Base</b>	<ul style="list-style-type: none"><li>• Track changes in assessed and taxable valuation of the City's tax base to develop budgets that are responsive to any declines in tax revenue that may be on the horizon</li><li>• <b>Monitor major taxpayers</b> (valuation and taxes) to understand tax base concentration and where the City could vulnerable if a major taxpayer leaves or if a key industry exits the area</li></ul>



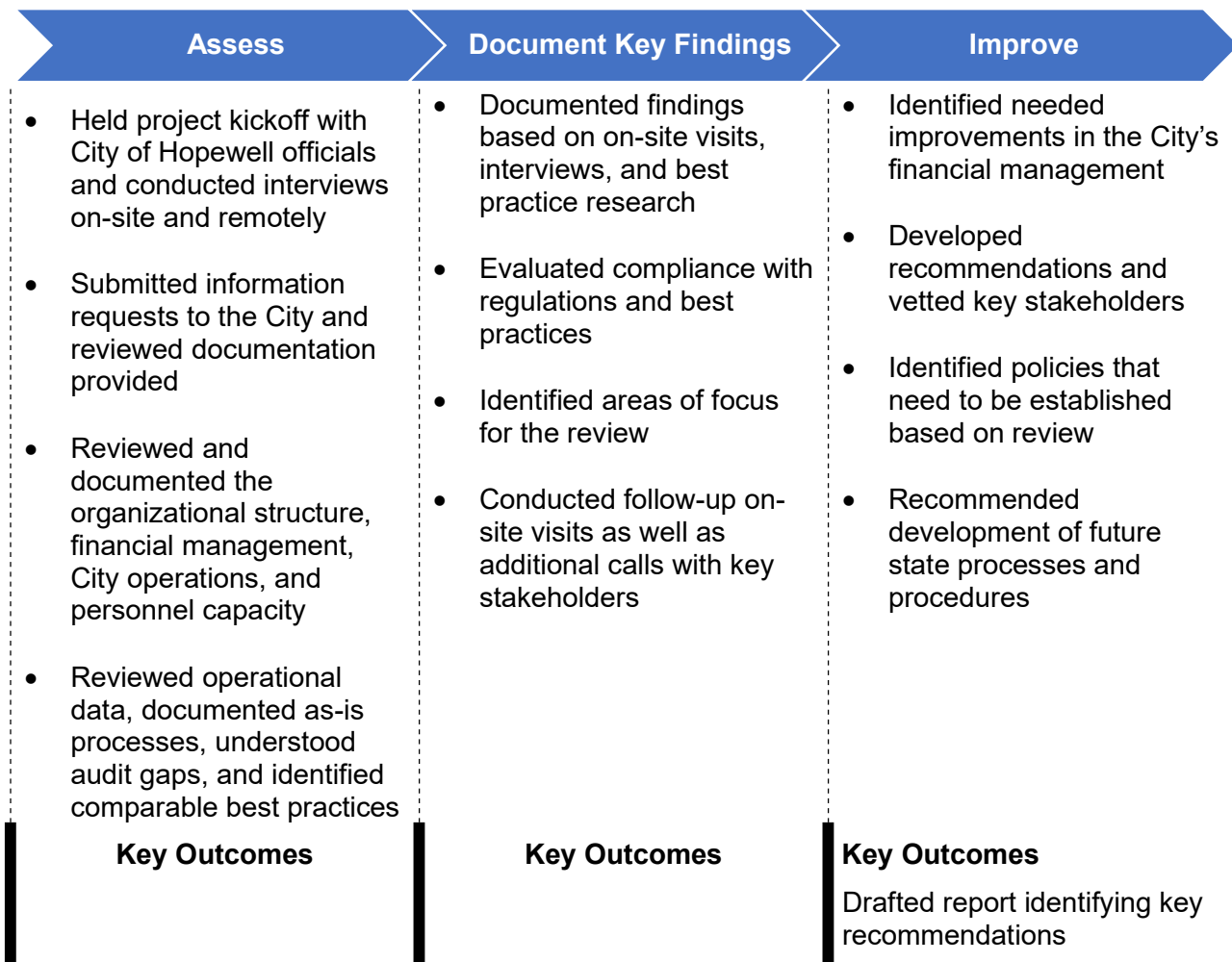
**ASSESSMENT APPROACH**

A&M’s approach to delivering financial, operational, and procedural solutions for the City was developed based on our experience in:

- Supporting the financial management and assessment of other municipalities with distressed Financial Departments
- Identifying the greatest impact opportunities to support these organizations
- Developing implementation-ready plans that are realistic and achievable

Throughout the execution of this approach, A&M held several interviews, follow-up meetings, and focus groups to maximize its understanding of the City to increase the legitimacy of identified opportunities and build the basis for “buy-in” and adoption during the City’s eventual implementation of such opportunities. An overview of A&M’s approach to completing the four tasks of the engagement is provided in the figure below.

**Figure 6: Financial Improvement Assessment Approach**





Baseline review of Hopewell's key financial and operating policies and procedures

In-depth understanding of the areas where Hopewell needs to focus improvement efforts

For this assessment, A&M interviewed over 50 City of Hopewell, Component Unit and selected external financial stakeholders as recommended by the Commonwealth. **Appendix A – List of Interviewees** provides the list of individuals who participated in at least one or more working sessions with A&M.

For **Task 1.**, the assessment of the City's financial audit and internal control processes, A&M conducted interviews with stakeholders from across the City to understand the process for preparing for the audit. These stakeholders included:

- City Council Finance Committee
- Mayor of Hopewell
- City Manager
- Finance Director and Senior Budget Analyst
- Treasurer's Office – City Treasurer, Sr. Financial Analyst, Contract Financial Analyst
- Hopewell City Public Schools ("HCPS") – Superintendent, Deputy Superintendent, Finance Director, and Senior Budget Analyst

Additionally, A&M interviewed the current external auditor to understand its perspective on the FY 2019 audit and the timeline for completing remaining audits. A&M also reviewed audits from FY 2014 through FY 2018 and assessed the City's progress toward remediating audit findings and material weaknesses.

For **Task 2.**, the assessment of the current financial condition and its component units, A&M conducted interviews with stakeholders to understand current processes for evaluating the financial position of the City. These stakeholders included:

- Senior Budget Analyst
- Finance Director
- Children Services Agency Director
- Procurement Manager
- Virginia Auditor of Public Accounts ("APA")

Given the absence of timely and complete data provided by the City, A&M was unable to complete a comparison of Hopewell's financial performance against peer Virginia cities or Government Finance Officers Association ("GFOA") and State best targets for key financial metrics.

For **Task 3.**, the assessment of the City's financial organizational structure and internal controls framework, A&M conducted interviews with stakeholders to understand current Finance, Treasury, and IT organizational structures and financial organization processes within the context of people, process, and technology. A&M assessed:





- Financial challenges and resources needed to support the City’s key financial processes and financial reporting and audit functions
- City’s ERP system support of operational finance and reporting
- City’s financial organizational structure and overall internal control framework

This section provides an overview for the key task areas based on our independent experience and government finance knowledge, interviews with key stakeholders, focus groups, employee interviews and review of data and information requests. A&M began our assessment by meeting with the Finance Director to understand how he managed the Department, areas where the organization was performing well, and opportunities for improvement. Additionally, the City Treasurer was also interviewed to understand how the finance operations were integrated with revenue collections within the City and how she managed her team. The A&M team had follow-up communications with both stakeholders when additional questions arose.

The A&M team also conducted interviews with the City Council Finance Committee, the Mayor, and other members of the Finance Department and City Treasurer’s Office. A&M held a facilitated working session with 24 representatives from each Department in the City. For each interview, the A&M team developed a series of questions to support its efforts to collect information to develop a comprehensive view of the challenges facing the City.

For the first portion of **Task 4.**, the assessment of the City’s Wastewater Treatment Facility rebates owed, A&M conducted interviews to understand the background of the Facility, the Hopewell Water Renewal Commission (the “Commission”), and history on how rebates were calculated and distributed to the users. The Commission was created in 1975 to set forth the financial responsibilities of the Commission members with respect to operational and maintenance costs of the Facility (i.e., the Wastewater Treatment Facility). The current members on the Commission include:

- AdvanSix
- Ashland
- WestRock
- Virginia American Water
- Hopewell City Council Representative
- Hopewell City Manager
- Hopewell City Attorney

A&M also needed to understand other challenges facing the organization that may impact how the City calculated the rebates. These stakeholders included:

- Wastewater Treatment Facility Leadership Team
- Manufacturers (i.e., Industrial Customers) participating on the Commission
- Representative from the Virginia House of Delegates
- Mayor of Hopewell
- Finance Director



Additionally, A&M reviewed supporting documentation to assist in our understanding of the Facility rebates such as the Cost-of-Service Model, Facility Agreement, historical Leachate revenues from the Facility, and an outside legal opinion assessing the Facility agreement.

For the second portion of **Task 4.**, the assessment of the City's use of Federal COVID Relief Funds ("CRF"), A&M conducted interviews to understand the grants management process Hopewell followed as it relates to CRF. Additionally, A&M sought to understand other challenges facing the organization that may impact how the City manages its grants management process. These stakeholders included:

- Finance Director
- Senior Budget Analyst
- Virginia APA
- Twenty-four (24) representatives from various Departments in the City

Additionally, A&M reviewed supporting documentation to assist in developing its understanding of the CRF reporting such as CRF compliance reports, CRF internal reports to stakeholders (e.g., the City Manager, Commissioner of Revenue, City Treasurer), and supporting documentation from the Virginia APA.

A&M's observations and recommendations across these focus areas are documented in the following sections.



**TASK 1. ASSESSMENT OF THE CITY’S FINANCIAL AUDIT REPORTING AND INTERNAL CONTROL PROCESSES**

**A. Overview**

Completing the annual audits in a timely manner (i.e., within 180 days of the fiscal year end) is a key feature of strong financial management. The City has been challenged by late audits with a series of qualified opinions and repeated material weaknesses. After the FY 2017 audit, the City’s previous external auditor, PBMares, included a disclaimer on its opinion based on insufficient information provided for the Sewer Service, Solid Waste, Stormwater, and Beacon Theater Funds. Additionally, PBMares also noted material weaknesses in internal controls related to reconciliations, audit adjustments and restatements, and reporting.

While PBMares completed the annual audit of financial statements for FY 2016 in October 2018 and FY 2017 in June 2019, PBMares did not complete the Single Audits for those fiscal years. The Single Audits for FY 2016 and FY 2017 were not complete until 2021 by the current audit firm of Robinson, Farmer, Cox (“RFC”) when it was engaged to perform the annual audit of FY 2018.

RFC completed the FY 2018 audit in October 2021, over three years after the close of the fiscal year. RFC included a disclaimer on their opinion based on discrepancies in the bank reconciliations, as well as insufficient information provided for the Sewer Service, Solid Waste, Stormwater, and Beacon Theater Funds.

RFC identified material weaknesses related to policies and procedures, discrepancies in reconciliations, treatment of liabilities, excessive adjusting journal entries, and deficiencies in the financial system’s reporting capabilities. At the time of this assessment report, the FY 2019 audit had not been completed (noted target submission date by April 30, 2023).

**Figure 7: Summary of Annual Comprehensive Financial Reports and Single Audits Issued (FY 2014 – FY 2020)**

Annual Comprehensive Financial Report (ACFR)				Single Audit		
FY	Auditor	Type of Opinion	Issue Date	Auditor	Type of Opinion	Issue Date
2014	Cherry Bekaert	Unmodified	6/20/2015	N/A	N/A	N/A
2015	Cherry Bekaert	Qualified	8/31/2017	Cherry Bekaert	Disclaimer	8/31/2021, amended 7/31/2019
2016	PBMares	Disclaimer	10/24/2018	Robinson, Farmer, Cox	Unmodified	1/12/2021
2017	PBMares	Disclaimer	6/10/2019	Robinson, Farmer, Cox	Disclaimer	7/28/2021
2018	Robinson, Farmer, Cox	Disclaimer	10/22/2021	Robinson, Farmer, Cox	Disclaimer	10/22/2021, amended 2/02/2022



2019	Robinson, Farmer, Cox	TBD	TBD	Robinson, Farmer, Cox	TBD	TBD
2020	Robinson, Farmer, Cox	TBD	TBD	Robinson, Farmer, Cox	TBD	TBD

The below table provides a Summary of the Audit Findings for the Period of FY 2014 to FY 2018. Of importance's, is that the City has **36 prior year Financial Audit and Single Audit material weakness and internal control findings that remain outstanding which represents 84% of the total number of issues cited over the past five years.**

**Appendix E- Audit Findings** provides added detailed on the outstanding material weakness and internal control accounting issues cited in prior year financial and Single Audit findings and the City's progress toward remediating the audit findings and recommendations for continued improvement.

**Figure 8: Summary of Audit Findings (FY 2014 – FY 2018)**

Functional Category	# of Findings	# of Repeat Findings	# of Addressed Findings	# of Findings Outstanding	% of Findings Outstanding
People/Training	12	9	3	9	75%
Reconciliations	8	4	2	6	75%
Policies/Procedures	12	7	0	12	100%
Internal Controls	11	2	2	9	82%
<b>TOTAL Findings</b>	<b>43</b>	<b>22</b>	<b>7</b>	<b>36</b>	<b>84%</b>

In addition to the annual external audit, ongoing financial reports should be provided to the City Manager and City Council to support management and accountability for the City's financial position. **Reporting provided to the City's leadership and City Council is limited and inconsistent with best practices.**

The current Auditor is in the process of finalizing the FY 2019 ACFR and Single Audit reports as of the date of this report. A&M identified the audit challenges documented in the table based on an interview with RFC.

**Figure 9: Summary of External Auditor Interview Comments & Observations**

<b>"Highly likely" there will NOT be a clean audit opinion for FY 2019</b>	<b>Auditor could not confirm the City's future year ACFR delivery schedule</b>
<b>Audit Process</b>	<ul style="list-style-type: none"> <li>RFC believes August 31, 2023, is "reasonable target" for issuance of FY</li> </ul>



<ul style="list-style-type: none"> <li>Auditor is preparing the financial statements that were audited for FY 2019 with City providing preliminary Trial Balance Report</li> <li>RFC is endeavoring to finalize ACFR preparation and audit by the end of April 2023</li> </ul> <p><b>Improvements from FY 2018</b></p> <ul style="list-style-type: none"> <li>Responses from the Finance Department and City Treasurer’s Office have been timely</li> <li>“Improvement” in level of financial detail from HCPS</li> </ul> <p><b>Opportunities for Improvement</b></p> <ul style="list-style-type: none"> <li>Cash reconciliation and revenue accounting continue to be a challenge</li> <li>RFC believes City may not be entering FY 2018 adjusting journal entries into Munis</li> <li>Material weakness and management issues identified in previous audit opinions from FY 2015 to FY 2018 still not addressed; as a result, the City <b><i>will likely not have a clean audit opinion this year and possibly going forward until these are corrected</i></b></li> </ul>	<p>2020 audited ACFR, so long as audit prep work starts by the beginning of May 2023</p> <ul style="list-style-type: none"> <li>RFC had no comment on anticipated timing for the FY 2021 and FY 2022 audits</li> </ul> <p><b>RFC’s top priority recommendations for the City achieve clean audits include:</b></p> <ul style="list-style-type: none"> <li>Timely reconciliation of cash revenue and other General Ledger accounts</li> <li>Completion of critical action plan to address prior year audits</li> <li>Establishing a reconciliation process that is performed monthly throughout the year</li> <li>Hiring qualified staff</li> <li>Establishing an internal control framework</li> </ul>
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The City’s cash reconciliation process is managed within the City Treasurer’s Office. The Treasurer is an elected position that operates separately from the Finance Department. When the current Treasurer took office in 2022, the City had a backlog of cash reconciliations. As the cash reconciliation is an essential input to validating the City’s cash balances, the backlog in reconciliations is a significant factor impacting the delay in external audits. Given staffing and expertise constraints in the Treasurer’s Office, the City has engaged an external contractor to work through the backlog of outstanding cash reconciliations.

**1. Strengths, Hurdles, Opportunities & Weakness Assessment**

The table below reflects A&M’s assessment of the Strengths, Hurdles, Opportunities, and Weakness (“SHOW”) of the City’s Annual Audit Process. This independent assessment is based on our experience and government finance knowledge, interviews with employees and key stakeholders, focus groups, as well as a review and analysis of data and information received.

**Figure 10: SHOW Assessment – Annual Audit Process**

**Strengths, Hurdles, Opportunities & Weakness Assessment (SHOW)  
Annual Audit Process**



**Strengths:**

- The City has engaged external resources to expand the capacity of the City Treasurer's office to complete outstanding cash reconciliation analyses
- The external audit firm completing the FY 2019 to FY 2022 audits performed the audit in FY 2018
- The City provided the majority of the audit material and data requests to the external audit team
- HCPS financial data and trial balance submission for FY 2019 was improved from prior years
- The City's Munis system, if properly configured, has the capacity for required data to be easily accessed and provided to the external auditor, including a trial balance and financial statements
- If adjusting entries or restatements are required, previously closed fiscal years can be reopened in Munis to make those corrections

**Hurdles:**

- There is a backlog in key cash reconciliations required to prepare prior fiscal years for the audit process
- The City has indicated that unaudited financials within Munis are not reliable, which limits the ability to use data directly generated from the system
- Failure to address outstanding audit findings constrains the City's ability to achieve clean audit opinions for the outstanding fiscal years
- Aggressive schedule for completing outstanding audits with no changes in the audit preparation process is likely to result in continued missed deadlines
- The Finance Department and Treasurer's Office function are separate departments despite cash reconciliations having a significant impact on the Finance Department's ability to carry out key activities in their functional area
- The current cash reconciliation analysis is manual in nature, which requires a significant amount of time to complete, and the functionality is not aligned with best practices in financial analysis
- Current pace of cash reconciliation catch-up for FY 2020 is estimated at three to five months
- The cash reconciliation is not truly reconciling bank balance to Munis General Ledger account balance

**Weakness:**

- The City is significantly behind in completing ACFRs and Single Audits with the last one being completed for FY 2018. The City has provided monthly updates for the timing of completing the outstanding audits, however those deadlines have consistently been missed
- The City indicated that the Finance Department is unable to prepare financial statements to support the audit due to lack of staff capacity and expertise
- There is no workplan from the auditor that outlines the timing of completion of outstanding audits, including milestones and anticipated completion dates
- Auditors have issued qualified opinions with materials weaknesses and audit findings that the City has not addressed
- There is not a defined and documented year-end closing process that outlines the process, timeline, roles and responsibilities, reports required for review and validation



- Delays in the annual audits are potentially compromising the HCPS's ability to fund its federally funded Head Start program

**Opportunities:**

- Work in conjunction with the Auditor to develop a realistic timeline for completing all outstanding audits to provide better insight on the timing of required preparation from the City, draft audit review, and audit finalization
- Develop and implement a Critical Action Plan to address audit findings that will put the City on a path to more sound financial management and clean audit opinions
- Clearly document the process for how the City should approach preparing for the external audit, as well as coordination with the external auditor; making the audit preparation more efficient to expedite the turnaround of outstanding audits
- Given the importance of completed outstanding audits and addressing findings, deploy resources to drive the audit preparation and material weakness remediation processes simultaneously
- Consider expanding the external resources dedicated to the cash reconciliation to expedite elimination of the outstanding backlog and expansion the reconciliation analysis
- Refine the cash reconciliation model to use more analytical mechanisms that can help with automating identification of variances between the bank and Munis for cash balances
- Implement a review process for any adjusting journal entries that will reduce the chance of adjustments being applied incorrectly
- Consider conducting a separate audit of HCPS financials to prevent loss of Federal grants to support the Head Start program

## 2. Findings & Recommendations

A&M has identified five improvement recommendations in the Assessment of the City's financial audit reporting and internal control processes. The recommendations include:

- Recommendation 1:** *Establish Fiscal Turnaround PMO to manage priority recommendations and address backlog of cash and general ledger reconciliations with enhanced resource teams*
- Recommendation 2:** *Implement Critical Action Plans to address prior year's material weakness and internal control audit findings*
- Recommendation 3:** *Execute workplan to complete the four outstanding audits as soon as practical, but at least within the next 12 months*
- Recommendation 4:** *Create current month and year-end closing processes*
- Recommendation 5:** *Establish a separate audit for Hopewell City Public Schools*

The below section of this report will provide a summary of the findings for each recommendation and identify key actions needed. The Stabilization and Turnaround Plan provides detailed



guidelines, tasks, and timelines for the completion of these recommendations and strategic actions.

**Figure 11: Annual Audit Process Findings & Recommendations**

**Annual Audit Process Findings & Recommendations:**

**Recommendation 1. Establish Fiscal Turnaround PMO to manage priority recommendations and address *backlog of cash and general ledger reconciliations with enhanced resource teams***

The City is significantly behind in completing prior year cash reconciliation. The City Treasurer Office has hired an external contractor to address the backlog, however the reconciliations are over two years behind, as of the date of this report. The current reconciliation process is manual, requiring an estimated duration of over three months to complete each year's cash postings.

The City should develop and implement a workplan to address backlog cash reconciliations. As a part of this process, the City should consider engaging additional resources with a strong expertise in municipal cash management and cash reconciliation. As a part of this initiative, the City should document options to enhance and streamline existing reconciliation analyses to better align with best practices for financial analysis.

**Key Recommendation Actions:**

- Create a Project Management Office to oversee the backlog reconciliation process for cash, revenue, and other general ledger reconciliation
- Determine the extent of the backlog, including the number of outstanding reconciliations and the amount of time needed to complete them
- Hire contract resources to complete prioritized outstanding prior year reconciliations
- Develop a timeline for completing the reconciliation based on available resources and prioritization
- Prioritize reconciliation based on factors such as amount of time the reconciliation has been outstanding, the potential impact on financial reporting, and the amount of cash or accounts impacted
- Create revised automated reconciliation process to complete cash and general ledger reconciliation
- Monitor progress on the backlog of reconciliations to ensure that the resources allocated are sufficient and that the timeline is being met
- Report the results of the remediation efforts to senior management and stakeholders to demonstrate progress and ensure that the remediation efforts are aligned with city goals and objectives





- Deploy opportunities for continuous improvement in the reconciliation process, including leveraging Munis to prevent future backlogs and improve overall efficiency
- Continuously evaluate the effectiveness of the remediation efforts and adjust the plan as needed to ensure that the backlog is fully addressed, and future reconciliations are completed in a timely and accurate manner

**Recommendation 2. *Implement Critical Action Plans to address prior year’s material weakness and internal control audit findings***

The City has prioritized completing outstanding audits and has made limited progress in addressing audit findings and material weaknesses. This strategy is likely to result in continued qualified opinions, which limits credibility of the financial statements from the perspective of potential lenders and the capital markets.

**Key Recommendation Actions:**

- Dedicate a fulltime Project Manager to coordinate the implementation of the Critical Action Plans
- Conduct a comprehensive assessment of the scope and status of the outstanding audits to determine the areas that need to be reviewed and the documents that need to be analyzed
- Perform a root cause analysis to identify the factors that contributed to the delays such as staffing issues, resource constraints, and process inefficiencies
- Based on the identified scope and root causes, develop a workplan that outlines the specific tasks that need to be completed, the responsible parties, and the timeline for completion
- Allocate necessary resources that complete the audits within the 12-month timeframe. This could include hiring additional staff and outsourcing the work
- Set interim milestones for completing the various tasks within the workplan to monitor progress and ensure that the timeline is being met
- Develop and implement Standard Operating Procedures (“SOPs”) for the audit process to ensure that all audits are completed accurately and in a timely manner moving forward
- Train staff members on the new SOPs and provide ongoing support to ensure that the audits are completed consistently and accurately
- Report the results of the audits to senior management and stakeholders to demonstrate progress and ensure that the remediation efforts are aligned with city goals and objectives

**Recommendation 3. *Execute workplan to complete the four outstanding audits as soon as practical, but at least within the next 12 months***

A key challenge in completing the annual audits is the City is not timely with completing year-end closing processes. The City lacks a documented and structured approach for completing the required year-end processes, including clear delineation of roles and responsibilities.



To expedite the completion of the four outstanding audits within 12 months, the City should prioritize the same tasks as what is required for completing monthly and year end closing. This includes:

- **Reconciliation of accounts:** Review and reconcile accounts, such as bank accounts, credit card accounts, accounts receivable, accounts payable, and payroll accounts, to ensure they are accurately recorded and match the supporting documentation.
- **Review of financial transactions:** Scrutinize financial transactions, such as journal entries, general ledger postings, and adjustments, to ensure they are properly recorded and supported by appropriate documentation.
- **Evaluation of internal controls:** Assess the effectiveness of internal controls, such as segregation of duties, authorization and approval procedures, and financial reporting processes, to ensure they are adequate and operating effectively to prevent fraud or error.
- **Review of supporting documentation:** Examine supporting documentation for financial transactions and balances, such as invoices, receipts, contracts, agreements, and other relevant records, to ensure they are complete, accurate, and properly recorded.

The GFOA established the Certificate of Achievement for Excellence in Financial Reporting Program (“COA”) in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare annual comprehensive financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. The goal of the program is not to assess the financial health of participating governments, but rather to ensure that users of their financial statements have the information they need to do so themselves.<sup>3</sup>

Receiving the Certification of Achievement in Excellence in Financial Reporting will require added key components to the City’s audit financial statements. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation its annual financial report, demonstrating a constructive “spirit of full disclosure” to clearly communicate its financial story and motivate potential users and user groups to read the report. The Certificate of Achievement is generally regarded as the highest form of recognition in local government financial reporting and can be viewed as a **positive factor by credit rating agencies and others interested in the professionalism of governmental finance.**

See Appendix D for additional detail on the GFOA Certificate of Achievement for Excellence in Financial Reporting program including links to the checklists and references authoritative guidance of the Governmental Accounting Standards Board (“GASB”) and GFOA’s Governmental Accounting, Auditing and Financial Reporting (“Blue Book” or “GAAFR”).

<sup>3</sup> <https://www.gfoa.org/coa-award>



**Key Recommendation Actions:**

- Dedicate a fulltime Project Manager to coordinate the planning and execution of the prior year audit review processes
- Document a workplan in coordination with the auditor that outline the required tasks and timeline for completing outstanding audits over the next 12 months
- Create a defined documentation for audit procedures tasks, including checklists for required tasks and information
- Add professional resources teams to complete prior year reconciliations for cash, revenue, and other general ledger postings
- Coordinate with Munis to identify mechanisms to update prior fiscal years where restatements and adjusting journal entries are required to improve reliability of data in the financial system
- Establish clear roles and responsibilities for completing year-end processes and document the steps involved in the process
- Provide annual training on essential year-end closing tasks and calendar milestones for staff the audit process responsibilities
- Centralize submission and review of Prepared by Client materials to the external auditor
- Communicate with City Departments and Component Units on required information to support the audit process
- Align FY 2024 audit preparation process with the Certificate of Achievement in Financial Excellence criteria and submit the FY 2024 audit to GFOA for review and evaluation
- Prioritize consistent completion of month-end closing processes to make year-end closing processes more efficient
- Improve record-keeping practices to ensure that all necessary documentation is available for year-end processes and the audit.

**Recommendation 4. *Create current month and year-end closing processes***

A key challenge in completing the annual audits is that the City is not timely with completing year-end closing processes. The backlog of reconciliations for previous fiscal years has constrained the City's ability to complete timely and accurate year-end closing processes for subsequent fiscal years. Additionally, there is not a documented and structured approach for completing the required year-end processes, including clear delineation of roles and responsibilities.

The City lacks a documented and structured approach for completing the required year-end processes, including clear delineation of roles and responsibilities. The backlog of outstanding monthly reconciliations has constrained the City's ability to complete timely and accurate closing processes on an ongoing basis.



The City lacks period-end internal .controls. It is essential to close the books consistently each month to provide some assurance that financial information is consistent from month-to-month. A basic checklist of closing activities should be used for year-end and another for month-end. Examples of types of tasks expected to be included in month-end processing are ensuring all incoming cash has been recorded and applied to receivables, confirming all sub-ledger activities such as depreciation and sub-ledger postings have been completed and posted through to General Ledger, credit card reconciliation, reconciling all accounts including cash, journaling accruals, reserves, reclasses for deferred or unearned revenue, reclasses of short-term vs long-term payables/receivables, amortizations and allocations.

While a period-end checklist built in Excel is a start, there are excellent point solution system tools such as Floqast, Blackline, Adra for supporting period-end close that are often used by large organizations. Munis even has some effective functionality built into the product for tracking tasks and a “Month End Manager” work center for monitoring unposted journals, unbalanced journals, unbalanced funds. Regardless of whether a simple list in Excel is used or a more robust automation tool, a checklist should clearly identify order of tasks, person(s) executing task, person(s) responsible for review, person(s) responsible for sign-off, and completion date/status.

The City should establish process and owners of Account Reconciliations of balance sheet accounts such as Accounts Payable, Accounts Receivable, Inventory, Fixed Assets and Due From Other Governments and conduct the account reconciliations at the end of each month

**Key Recommendation Actions:**

- Create check lists for major Finance Department and City Treasurer Office tasks and closing activities
- Document annual closing processes
- Hold year-end closing process meetings with Departments and Component Units to communicate and review tasks and actions
- Gather normal required prepared by client summary information for auditors
- Create ACFR tables and reports for the Auditor to use in audit process
- Annual training on essential year end closing tasks and calendar milestones
- Centralized submission and review of Prepared by Client materials to the external auditor
- Communication to City Departments and Component Units on required information
- Develop and implement standard operating procedures (“SOPs”) for cash and general ledger reconciliations to ensure that all reconciliations are completed accurately and in a timely manner moving forward
- Train staff members on the new SOPs and provide ongoing support to ensure that the reconciliations are completed consistently and accurately



**Recommendation 5. *Establish a separate audit for the Hopewell City Public Schools***

Having the HCPS complete a separate audit process from the City would help to address some of the current challenges around maintaining grant fundings due to lack of current audits for the City. In particular, the District's Head Start program is currently at risk of losing Federal funding. Additionally, there are school facilities with significantly deferred maintenance.

Accessing the capital required for these projects would also require the District to have a clear picture of their current financials. Separating out the District's financials would allow the District to access the funding required to continue to provide services to students and address facilities concerns. Even with a separate audit for the Schools, the financials would still be a component unit of the City of Hopewell's ACFR.

**Key Recommendation Actions:**

- Document financial compliance requirements to HCPS to meet federal grant award commitments
- Implement Critical Action Plan to address prior year material weakness and internal control issues related to the Schools financial management operations and practices
- Develop process for selection of external Audit firm to provide for a separate School District ACFR and Single Audit that will be included in the City's ACFR



## TASK 2. ASSESSMENT OF THE CURRENT FINANCIAL CONDITION OF THE CITY AND ITS COMPONENT UNITS

### A. Overview

This section will summarize A&M assessment on the financial condition of the City and its Component Units. Due to significant delays in timely accounting, reconciliations, and application of cash and related revenue and accounts receivables in the City's Munis ERP, it was difficult to build a fact base for evaluation of the financial condition of the City. This was compounded by the lack of posted Auditor adjustments in Munis and the unclear mapping of Munis accounts to financial statement accounts.

In lieu of a comprehensive financial condition assessment, A&M did perform analysis of several areas of the City and its Component Units including:

- **Balance Sheet Analysis**
- **Cash Balances (Bank Account Analysis)**
- **General Fund Budgetary Analysis**
- **Liabilities**
- **Fund Balance Analysis**
- **Revenue Sources and Cash Collections**
- **Cash Flow Forecasts**
- **Investments**
- **Annual Budget Process**
- **Multi-Year Financial Forecasts**

The below section will provide an overview of the City's current state and preliminary observations for each of the ten financial assessment areas.

**Balance Sheet Analysis:** A&M completed a high-level analysis of the City's FY 2018 ACFR Balance Sheet of Governmental Funds compared to the City's FY 2018 Trial Balance pulled from the Munis ERP system. *A&M found significant differences between the final audit financial statements to what the financial system reflects.* One of the potential factors is that adjusting entries prepared by the Auditor and presented in the ACFR may not have been posted within the City's financial system prior to the final closing.

To conduct this analysis, A&M extracted Munis Trial Balance data as of the end of FY 2018, filtering on Fund Codes applicable for the General Fund (011) and Total Governmental Funds (003|011|012|035|038|052|053|070|071|072|075|076) and mapped accounts, to the extent possible, to ACFR statement lines. A&M requested a mapping of the Munis accounts to the Balance Sheet and Other Financial Statements, but this was not provided by the City.



**Figure 12: Comparison of FY 2018 ACFR of Governmental Funds  
to Trial Balance Data Pulled from Munis**

Comparison of FY 2018 ACFR Exhibit 3 Balance Sheet of Governmental Funds Against Trial Balance Data Pulled from Munis

	FY18 ACFR Ex3-General	Munis COA Inq Gen Fund 011	Gen Fund Diff (ACFR-Munis)	FY18 ACFR Ex3-Total Govt	Munis COA Inq GOV Fund Grp	GOV Fund Grp Diff (ACFR-Munis)
<b>Assets</b>						
Total Cash and investments	2,532,706	367,842	2,164,864	15,910,971	16,237,507	(326,536)
Receivables (net of allowance for uncollectibles):						
Taxes receivable	15,105,488	16,467,445	(1,361,957)	15,105,488	16,467,445	(1,361,957)
Accounts receivable	796,702	1,637,983	(841,281)	1,074,386	2,785,133	(1,710,747)
Interest receivable	286	236	50	291	299	(8)
Due from other funds	4,561,541	3,513,789	1,047,752	4,561,541	3,513,789	1,047,752
Due from School Board	8,862,929	7,132,845	1,730,084	8,862,929	7,132,845	1,730,084
Note receivable-School Board	-	-	-	1,258,783	106,933	1,151,850
Due from other governments	863,257	(0)	863,257	1,623,782	(0)	1,623,782
Inventories	71,052	71,052	0	71,052	71,052	0
Prepaid items	3,129	3,129	(0)	3,129	3,129	(0)
<b>Total Assets</b>	<b>32,797,090</b>	<b>29,194,321</b>	<b>3,602,769</b>	<b>48,472,352</b>	<b>46,318,131</b>	<b>2,154,221</b>
<b>Liabilities</b>						
Accounts payable	877,495	1,219,202	(341,707)	1,571,176	1,916,162	(344,986)
Accrued liabilities	27,076	5,783,053	(5,755,977)	120,402	10,186,351	(10,065,949)
Due to other funds	-	-	-	3,569,706	-	3,569,706
Due to School Board	-	-	-	3,008,873	-	3,008,873
Due to other governments	662,158	-	662,158	767,522	-	767,522
<b>Total Liabilities</b>	<b>1,566,729</b>	<b>7,002,256</b>	<b>(5,435,527)</b>	<b>9,037,679</b>	<b>12,102,514</b>	<b>(3,064,835)</b>
<b>Deferred inflows of resources</b>						
Deferred tax revenues	11,636,013	10,616,702	1,019,311	11,636,013	10,616,702	1,019,311
Unavailable tax revenues	5,389,447	-	5,389,447	5,389,447	-	5,389,447
<b>Total deferred inflows of resources</b>	<b>17,025,460</b>	<b>10,616,702</b>	<b>6,408,758</b>	<b>17,025,460</b>	<b>10,616,702</b>	<b>6,408,758</b>
<b>Fund balances:</b>						
<b>Nonspendable:</b>						
FB-Prepaid items	3,129	-	3,129	3,129	-	3,129
FB-Inventories	71,052	-	71,052	71,052	-	71,052
FB-Due from School Board	-	-	-	1,132,247	-	1,132,247
FB-Restricted for capital projects	-	-	-	9,113,184	17,615,920	(8,502,736)
<b>Assigned:</b>						
FB-Fire department equipment	160,000	-	160,000	160,000	-	160,000
FB-Next year budget	-	542,108	(542,108)	-	542,108	(542,108)
FB-Rainy day emergency	5,230,302	657,357	4,572,945	5,230,302	657,357	4,572,945
FB-Perpetual care	1,037,346	-	1,037,346	1,037,346	-	1,037,346
FB-Self-insurance	500,000	-	500,000	500,000	-	500,000
FB-Anti-Litter	-	-	-	35,423	-	35,423
FB-Assigned unknown	-	5,433,426	(5,433,426)	-	(7,033,535)	7,033,535
<b>Total Assigned</b>	<b>6,927,648</b>	<b>6,632,891</b>	<b>294,757</b>	<b>6,963,071</b>	<b>(5,834,070)</b>	<b>12,797,141</b>
FB-Unassigned	7,203,072	4,944,573	2,258,499	5,126,530	3,012,704	2,113,826
<b>Total fund balances</b>	<b>14,204,901</b>	<b>11,577,464</b>	<b>2,627,437</b>	<b>22,409,213</b>	<b>14,794,554</b>	<b>7,614,659</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>32,797,090</b>	<b>29,196,421</b>	<b>3,600,669</b>	<b>48,472,352</b>	<b>37,513,770</b>	<b>10,958,582</b>

Given the City's comments about a lack of confidence in the financial system and our initial high-level assessment, A&M could not assess the current financial condition of the City. If the FY 2018 balances were not correctly rolled forward into FY 2019, the analysis would have been flawed and incomplete. Additionally, A&M did not receive the requested list of correcting adjusting journal entries that the Auditor provided to the City, which would have been of assistance in our analysis.

It became clear from conducting this comparison of ACFR statements to Munis trial balance data that the Munis chart of accounts is not defined in a manner to effectively support financial reporting. For example, for the many fund balance accounts for which the descriptions are





ambiguous, A&M did not attempt to map to a particular line on the ACFR balance sheet, but rather mapped to “FB-Assigned unknown” or “FB-Unassigned”.

**Figure 13: Comparison of ACFR Statements to Munis Trial Balance**

Object Co	Object Description	ACFR Ex 3 Line	GEN-011	GOV
340410	Unassign Fund Bal Beginnig	FB-Unassigned	-	230,082
390100	NONSPENDABLE FUND BALANCE	FB-Assigned unknown	(65,195)	(122,989)
390200	RESTRICTED FUND BALANCE	FB-Assigned unknown	272,579	(13,797,531)
390300	COMMITTED FUND BALANCE	FB-Assigned unknown	(887,776)	(887,776)
390400	ASSIGNED-RAINY DAY	FB-Rainy day emergency	(657,357)	(657,357)
390410	ASSIGNED FUND BALANCE	FB-Assigned unknown	(4,753,034)	21,841,831
390411	2016 Fund Balance Adjustment	FB-Unassigned	(2,767,062)	(6,529,880)
390412	2017 Fund Balance Adjustment	FB-Unassigned	(1,375,662)	(504,357)
390413	2018 Fund Balance Adjustment	FB-Unassigned	-	-
390420	ASSIGNED - NEXT YEAR BUDGET	FB-Next year budget	(542,108)	(542,108)
390500	UNASSIGNED FUND BALANCE	FB-Unassigned	(801,849)	(801,849)
390510	UNASSIGNED FND BAL-BUDGETED	FB-Unassigned	-	4,593,300
390600	INVEST IN CAPITAL NET OF DEBT	FB-Restricted for capital projects	-	(16,353,330)
390700	CIP OFFSET	FB-Restricted for capital projects	-	(1,262,591)
390800	UNRESTRICTED FUND BALANCE	FB-Unassigned	-	-
390900	CONTRIBUTED CAPITAL	FB-Unassigned	-	-

\* note on trial balance extract, debits are positive, credits are negative.

A&M also reviewed the balance sheet statement within Exhibit 36 of the FY 2018 ACFR for Children’s Services Act (“CSA”) Fund. Due to the smaller number of transactions for the CSA Fund, A&M expected that a closer reconciliation with Munis trial balance data would be feasible. Review of the smaller CSA Fund component unit’s Munis data revealed similar issues as the review of broader City General Fund and Total Government Funds.





**Figure 14: Comparison of FY 2018 ACFR Balance Sheet of CSA  
to Munis Trial Balance**

**Comparison of FY 2018 ACFR Exhibit 36  
Balance Sheet of CSA Against Trial Balance Data  
Pulled from Munis**

	<b>FY18 ACFR Ex36-CSA</b>	<b>Munis COA Inq CSA Fund 015</b>	<b>CSA Diff (ACFR-Munis)</b>
<b>Assets</b>			
Cash	167,950	170,334	(2,384)
Interest receivable	53	54	
Due from other governmental units	1,024,083	-	1,024,083
Due from primary government	651,894	331,023	320,871
<i>Unknown map of TB assets</i>	-	577,559	(577,559)
<b>Total Assets</b>	<b>1,843,980</b>	<b>1,078,970</b>	<b>765,011</b>
<b>Liabilities</b>			
Accounts payable	386,675	386,769	(94)
Accrued liabilities	84	2,396	(2,312)
Due to Commonwealth of Virginia	1,457,221	1,457,221	(0)
<i>Unknown map of TB liabilities</i>	-	2,469	(2,469)
<b>Total Liabilities</b>	<b>1,843,980</b>	<b>1,848,855</b>	<b>(4,875)</b>
<b>Fund balances:</b>			
Assigned	-		
<i>Unknown map of TB fund balances</i>	-	(769,885)	769,885
<b>Total fund balances</b>	<b>-</b>	<b>(769,885)</b>	<b>769,885</b>
<b>Total liabilities and fund balances</b>	<b>1,843,980</b>	<b>1,078,970</b>	<b>765,010</b>



**Figure 15: FY 2018 ACFR Exhibit 36 – CSA Statement of Net Position**

Exhibit 36

**Balance Sheet**  
**Discretely Presented Component Unit - Children's Services Act Board**  
**June 30, 2018**

**ASSETS**

Cash	\$ 167,950
Interest receivable	53
Due from other governmental units	1,024,083
Due from primary government	651,894
<b>Total assets</b>	<b>1,843,980</b>

**LIABILITIES AND FUND BALANCES**

Liabilities:

Accounts payable	386,675
Accrued liabilities	84
Due to the Commonwealth of Virginia	1,457,221
<b>Total liabilities</b>	<b>1,843,980</b>

Fund balances:

Assigned	-
<b>Total fund balance</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,843,980</b>

**Figure 16: Munis Trial Balance for Period 13 2018**

FundGrp	Year	Period	Object Code	Object Description	Period Actuals	YTD Actuals
CSA-015	2018	13	110110	CASH	-384.06	170,333.79
CSA-015	2018	13	135020	RECEIVABLE COMM OF VIRGINIA	0.00	577,558.84
CSA-015	2018	13	136010	ACCRUED INTEREST	0.00	54.30
CSA-015	2018	13	140015	DUE FROM PRIMARY GOVERNMENT	0.00	331,022.95
CSA-015	2018	13	210101	ACCOUNTS PAYABLE	0.00	-386,768.77
CSA-015	2018	13	210105	AFL CANCER INS W/H	0.00	-2,100.53
CSA-015	2018	13	210113	WORKERS COMP CONTROL ACCT	0.00	-78.45
CSA-015	2018	13	210114	VRS RETIREMENT CONTROL ACCT	0.00	-240.39
CSA-015	2018	13	210115	VSP VISION PLAN W/H	0.00	-147.47
CSA-015	2018	13	210127	FICA W/H & FRINGE PAYABLE	0.00	97.44
CSA-015	2018	13	220101	ACCRUED SALARIES & WAGES PYBL	-2,160.28	-2,160.28
CSA-015	2018	13	220103	ACCRUED PTO-SHORT TERM	0.00	-236.19
CSA-015	2018	13	220109	ACCRUED MISC LIABILITY	0.00	0.86
CSA-015	2018	13	250102	DUE TO OTHER GOVT	0.00	-1,457,221.47
CSA-015	2018	13	390100	NONSPENDABLE FUND BALANCE	6,331.56	1.00
CSA-015	2018	13	390200	RESTRICTED FUND BALANCE	-6,331.56	-6,331.56
CSA-015	2018	13	390410	ASSIGNED FUND BALANCE	773,726.89	1,184,741.75
CSA-015	2018	13	390411	2016 Fund Balance Adjustment	0.00	-411,070.16
CSA-015	2018	13	390412	2017 Fund Balance Adjustment	2,544.34	2,544.34

\* Note on Trial Balance extract, debits are positive, credits are negative.



Munis is the City’s financial management and accounting system of record. A&M’s inability to reconcile from the Munis Trial Balance to the Balance Sheet reporting line items – either on a line-by-line basis or an overall Assets and Liabilities basis – is an indicator that Munis is not being updated on a timely basis and impacts the City’s ability to rely on the integrity of the data maintained in the financial system.

**Cash Balance (Bank Account Analysis):** A&M reviewed fiscal year-end bank statements provided by the City for the last five fiscal years and reviewed the “book balance” of cash in Munis General Ledger for those same years. While some differences in cash amounts stated in Munis versus the bank statements were expected, the sizes of the year-end differences observed (ranging from \$4 million to \$24 million) were much larger than what might be explained based on reconciling items resulting from timing differences of clearing of cash receipts and disbursements per the bank statements versus the accounting of cash activity in Munis. It is unclear what would account for the large differences and difficult to ascertain in the absence of requested bank reconciliations, which the City did not provide for the Assessment review.

**Figure 17: Summary of FY Ending Account Balances (FY 2014 – FY 2018)**

Account Name	June 30 Ending Bank Account Balances (rounded)					Year to Date (March FY 2023)
	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	
Master Account	\$21,800,000	\$24,400,000	\$32,800,000	\$30,400,000	\$17,900,000	\$19,500,000
EMS	\$90,000	\$80,000	\$30,000	\$5,000	\$340,000	\$50,000
Narcotics	\$1,000	\$1,000	\$100	\$100	\$2,500	\$2,000
Special Welfare	\$52,000	\$50,000	\$45,000	\$48,000	\$34,000	\$34,000
Police Property	\$40,000	\$130,000	\$70,000	\$120,000	\$120,000	\$150,000
Industrial Safety Council	<i>N/A</i> <sup>2</sup>	<i>N/A</i> <sup>2</sup>	<i>N/A</i> <sup>2</sup>	\$25,000	\$30,000	<i>N/A</i> <sup>2</sup>
School Café Program	\$24,000	\$26,000	\$27,000	\$34,000	\$36,000	\$37,000
Rec Card (TBD) <sup>3</sup>	\$3,000	\$3,000	\$3,000	\$3,000	\$22,000	\$8,000
Sheriff	<i>N/A</i> <sup>2</sup>	<i>N/A</i> <sup>2</sup>	<i>N/A</i> <sup>2</sup>	\$8,000	\$8,000	<i>N/A</i> <sup>2</sup>
Sheriff	\$100	\$100	\$100	\$100	\$100	<i>N/A</i> <sup>2</sup>
School Board (ZBA)	\$0	\$0	\$0	\$0	\$0	<i>N/A</i> <sup>2</sup>
School Board Payroll (ZBA)	\$0	\$0	\$0	\$0	\$0	<i>N/A</i> <sup>2</sup>
AP (ZBA)	\$0	\$0	\$0	\$0	\$0	<i>N/A</i> <sup>2</sup>
Payroll (ZBA)	\$0	\$0	\$0	\$0	\$0	<i>N/A</i> <sup>2</sup>
Inbound Payment Processor(ZBA)	\$0	\$0	\$0	\$0	\$0	\$0
<b>Total Bank Statements</b>	<b>\$22,000,000</b>	<b>\$25,000,000</b>	<b>\$33,000,000</b>	<b>\$31,000,000</b>	<b>\$18,000,000</b>	<b>\$20,000,000</b>



June 30 Ending Bank Account Balances (rounded)						
Account Name	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Year to Date (March FY 2023)
<b>Munis Totals</b>	<b>\$12,740,413</b>	<b>\$16,696,375</b>	<b>\$16,578,322</b>	<b>\$12,757,474</b>	<b>\$14,701,121</b>	<b>(\$3,073,941)</b>

Footnote References:

- <sup>1</sup> May end of month balance used due to June data not being provided
- <sup>2</sup> No account data was provided for these accounts
- <sup>3</sup> Account Name not provided

A&M also reviewed a sampling of monthly analysis reports the City provided from the bank that summarize the average balance of the ten bank accounts that are pooled together when bank determines interest to pay.

**Figure 18: Analysis of Consolidated Balances at Primary Bank**

	22-Aug	22-Sep	22-Oct	22-Nov	22-Dec	23-Jan	23-Feb	23-Mar
Average Balance	\$26,000,000	\$22,000,000	\$0	\$15,000,000	\$19,000,000	\$15,000,000	\$0	\$16,000,000
Less Average Float	\$100,000	\$82,000	\$0	\$180,000	\$260,000	\$60,000	\$0	\$170,000
Average Collected Balance	\$25,900,000	\$21,918,000	\$0	\$14,820,000	\$18,740,000	\$14,940,000	\$0	\$15,830,000
Avg Positive Collected Bal	\$25,900,000	\$21,918,000	\$0	\$14,820,000	\$18,740,000	\$14,940,000	\$0	\$15,830,000
Less:								
Required Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Avg Positive Available Bal	\$25,900,000	\$21,800,000	\$0	\$14,800,000	\$18,900,000	\$14,500,000	\$0	\$15,920,000
Less: Balance Required	\$27,000,000	\$4,700,000	\$0	\$14,000,000	\$13,320,000	\$13,310,000	\$0	\$13,330,000
Net Available Balance	(\$1,100,000)	\$17,100,000	\$0	\$800,000	\$5,420,000	\$1,190,000	\$0	\$2,590,000
Interest Earned amount	(\$200)	\$2,800	\$0	\$100	\$900	\$300	\$0	\$400

\*Interest rate earnings off Net Avail Bal = 0.2%

\*Data pulled from monthly Master Account Analysis report derived from monthly bank deposit statements

Cash “Average Balance” positions shift significantly from month to month. ***The City is currently earning interest revenue from its cash accounts at the rate of 20 basis points.*** Interest is only earned on the “Net Available Balance” which in the sampling of six months reviewed has moved dramatically from month to month with August 2022, most notably, hitting a negative available balance only to swing in September 2022 to Net Available Balance of \$17 million.

The City should review how the bank is calculating the Net Available Balance to better understand what is truly cash available to spend.

The following observations raise questions about the accuracy and effectiveness of the City’s cash accounting:



- Lack of a cash flow forecast
- Multiple statements during assessment interviews that cash reconciliation is key hurdle to timely provision of financial statements and completion of audits
- **Differences between Munis book balances in the cash account versus bank statements**
- **Variances in the Net Available Balance per monthly analysis reports provided by the Bank**

**Liabilities:** Review of Accounts Payable Aging reports from Munis as of March 31, 2023, and April 30, 2023, shows, that the City disburses funds for accounts payable when due for the majority of invoices.

**Figure 19: Munis Financial System Accounts Payable Invoice Aging Report Totals**

As of Date	Balance	Current	30-60	60-90	90+	Held Items
03/31/2023	\$1,810,671	\$1,167,760	\$158,118	\$153,990	\$330,659	\$144
04/30/2023	\$1,534,620	\$1,260,676	\$195,954	\$10,911	\$66,935	\$144

Review of individual vendors with aging payables of 30+ days since invoice date on the two aging report samples shows that all aging payables were paid with only two exceptions. A&M also noted that at least one vendor appeared to have a higher amount of aging in the 30 - 60-day bucket in April than existed in the Current bucket in March. This implies that some invoices are not getting entered into Munis in a timely manner.

The Account Inquiry against General Ledger (“GL”) balance of the Accounts Payable (“AP”) account 210101 on May 1, 2023, showed \$2,366,679 outstanding. **It appears that this AP account must have significant number of other entries than what are in AP sub-ledger or there is a delay in integrating data from the AP sub-ledger to the general ledger**

Review of Munis balances at the end of each fiscal year in several liability accounts show marginal variance from year to year that raises question of whether those liabilities are current and being actively reconciled in the City’s financial system.



**Figure 20: Munis Liability Balance Comparison**

OBJECT	ACCT DESCRIPTION	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
210103	SALARY & WAGES PAYABLE	(1,959,282)	(1,959,282)	(1,959,282)	(1,959,282)	(1,959,282)	(1,959,282)
210136	CONTRACT RETAINAGE	(312,621)	(312,621)	(312,621)	(312,621)	(312,621)	(1,372,871)
210144	Due to Other Gov't	(662,158)	(662,158)	(662,158)	(662,158)	(662,158)	(341,287)
220101	ACCRUED SALARIES & WAGES PYBL	9,117	9,117	9,117	9,117	9,117	(0)
220103	ACCRUED PTO-SHORT TERM	(19,491)	(19,491)	(19,491)	(19,491)	(19,491)	(13,276)
230101	ACCRUED INTEREST PAYABLE	(7,851,120)	(7,851,120)	(7,851,120)	(7,851,120)	(7,851,120)	(7,903,190)
230102	UNEARNED REV M&T	(4,378,780)	(4,378,780)	(4,378,780)	(4,378,780)	(4,378,780)	(4,036,846)
240107	DEFERRED REVENUE OTHER	(797,033)	(797,033)	(797,033)	-	-	-
	SUSPENSE/PREPAID/PENDING	(8,403,832)	(4,495,088)	(445,716)	(1,628,543)	(475)	(0)
240111	DEFERRED REV ADV PYMT PP	(138,574)	(138,574)	(138,574)	(138,554)	(138,554)	20
250102	DUE TO OTHER GOVT	(1,585,913)	(1,585,913)	(1,585,913)	(1,585,913)	(1,585,913)	(1,480,548)
250103	CLEARING ACCOUNT-EGTS	(3,008,872)	(3,008,872)	(3,008,872)	(3,008,872)	(3,008,872)	(840,872)
280201	BONDS PAYABLE-LONG TERM	(89,745,801)	(89,745,801)	(89,745,801)	(89,745,801)	(89,745,801)	(91,205,801)
280301	UNAMORTIZE PREM (2012)	(853,960)	(853,960)	(853,960)	(853,960)	(853,960)	(882,159)
299999	STATE TAX RETURNS-SYS USE ONLY	(3,263,198)	(3,263,198)	(3,263,198)	(3,263,198)	(3,263,198)	(4,403,885)
<b>Grand Total</b>		<b>(122,971,518)</b>	<b>(119,062,774)</b>	<b>(115,013,402)</b>	<b>(115,399,175)</b>	<b>(113,771,108)</b>	<b>(114,439,997)</b>

**Measuring Financial Health:** Best practice in local government is to measure and monitor the financial position or condition (or health) of the General Purpose or General Fund, as well as that of the Government-wide Funds. Financial condition is the ability of a local government or school district to balance recurring expenditure needs with recurring revenue sources, while providing services on a continuing basis.

The fiscal condition of a local government can be viewed through various dimensions including the ability of the City to meet:

- Immediate or short-term financial obligations
- Financial obligations over a budgeted fiscal year
- Long term financial obligations

***The City of Hopewell does not currently provide to City Council, Council Finance Committee, or the City Manager's Office any form of financial health assessment of key financial measures or report on the overall cash or liquidity positions.***

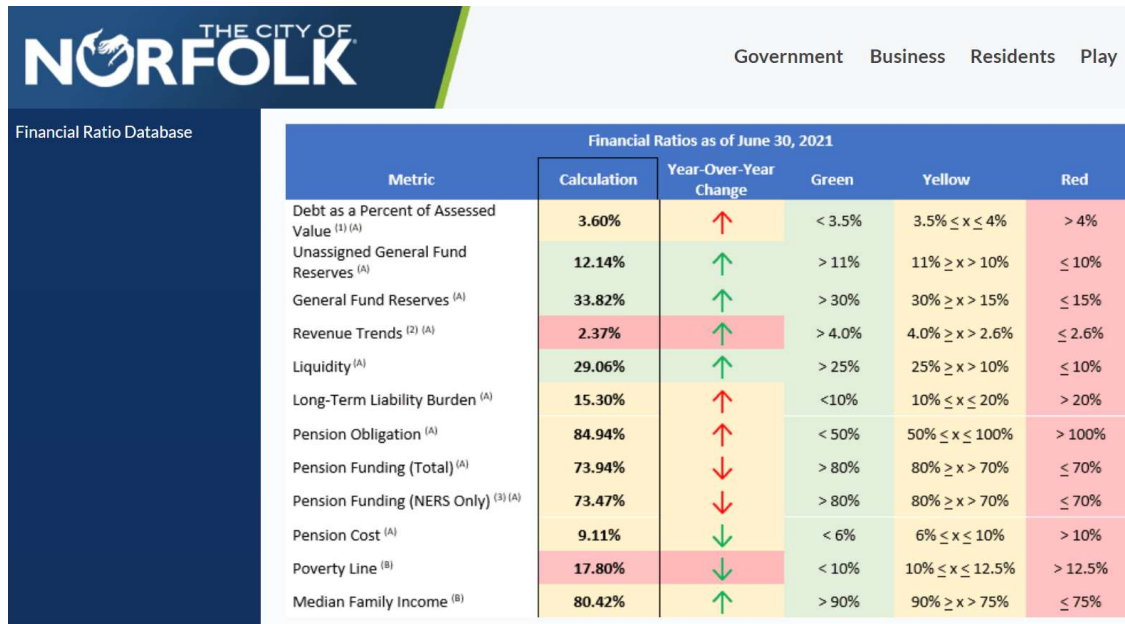
***Due to the lack of available financial reports, A&M was unable to complete a financial assessment of the City of Hopewell on key financial performance and operating metrics.***

While there is no single measure or set of standard financial health measures, cities of all sizes, have incorporated ratio benchmarks from several sources such as the International City/County Management Association's ("ICMA") Financial Trend Monitoring System ("FTMS") and the GFOA's Ratio Analysis into financial health dashboards. Hopewell's financial turnaround plan should include some type of financial analysis to strive for sustained, long-term financial strength.

Best practices in local government promote transparency and accountability in reporting of the financial position of the organizations. One local Virginia municipality, the City of Norfolk, has created a financial dashboard to inform its citizens, City Council, and City Management of the financial position of the City and its ability to meet current and future services.



Figure 21: Example of Norfolk, Virginia Financial Ratio Dashboard<sup>4</sup>



Financial Ratios as of June 30, 2021					
Metric	Calculation	Year-Over-Year Change	Green	Yellow	Red
Debt as a Percent of Assessed Value <sup>(1) (A)</sup>	3.60%	↑	< 3.5%	3.5% ≤ x ≤ 4%	> 4%
Unassigned General Fund Reserves <sup>(A)</sup>	12.14%	↑	> 11%	11% ≥ x > 10%	≤ 10%
General Fund Reserves <sup>(A)</sup>	33.82%	↑	> 30%	30% ≥ x > 15%	≤ 15%
Revenue Trends <sup>(2) (A)</sup>	2.37%	↑	> 4.0%	4.0% ≥ x > 2.6%	≤ 2.6%
Liquidity <sup>(A)</sup>	29.06%	↑	> 25%	25% ≥ x > 10%	≤ 10%
Long-Term Liability Burden <sup>(A)</sup>	15.30%	↑	< 10%	10% ≤ x ≤ 20%	> 20%
Pension Obligation <sup>(A)</sup>	84.94%	↑	< 50%	50% ≤ x ≤ 100%	> 100%
Pension Funding (Total) <sup>(A)</sup>	73.94%	↓	> 80%	80% ≥ x > 70%	≤ 70%
Pension Funding (NERS Only) <sup>(3) (A)</sup>	73.47%	↓	> 80%	80% ≥ x > 70%	≤ 70%
Pension Cost <sup>(A)</sup>	9.11%	↓	< 6%	6% ≤ x ≤ 10%	> 10%
Poverty Line <sup>(B)</sup>	17.80%	↓	< 10%	10% ≤ x ≤ 12.5%	> 12.5%
Median Family Income <sup>(B)</sup>	80.42%	↑	> 90%	90% ≥ x > 75%	≤ 75%

**General Fund Balance:** GFOA recommends at minimum a local government entity hold two months of future projected expenditures of the General Fund as the Unrestricted Fund Balance (16.7% of following year’s budget of appropriated expenditures). GFOA notes that a government’s particular situation often may require a level significantly in excess of this recommended minimum level. Given that the City doesn’t have access currently to issue debt, it would be prudent to maintain higher reserves.

<sup>4</sup> <https://www.norfolk.gov/5123/Financial-Ratio-Database>



**Figure 22: Comparison of ACFR FY 2016 to FY 2018 General Fund Balances**

**Comparison of FY 2016 - FY 2018 ACFR Exhibit 3 General Fund Balance  
Versus Following Year's Budgeted Expenditures**

	<b>FY 2016 ACFR Fund Balance Ex3-General</b>	<b>FY 2017 ACFR Fund Balance Ex3-General</b>	<b>FY 2018 ACFR Fund Balance Ex3-General</b>
Assigned:			
FB-Fire department equipment	160,000	160,000	160,000
FB-Next year budget	1,347,740	210,000	-
FB-Rainy day emergency	4,993,036	5,276,626	5,230,302
FB-Perpetual care	887,776	1,034,865	1,037,346
FB-Self-insurance	500,000	500,000	500,000
FB-Anti-Litter	-	-	-
<b>Total Assigned</b>	<b>7,888,552</b>	<b>7,181,491</b>	<b>6,927,648</b>
FB-Unassigned	6,620,773	6,800,405	7,203,072
<b>Total Unrestricted fund balances</b>	<b>14,509,325</b>	<b>13,981,896</b>	<b>14,130,720</b>
<b>Following Year's Budgeted Expenditures</b>	<b>49,930,358</b>	<b>n/a</b>	<b>52,918,072</b>
<b>Unrestricted as % of Following Year's Budgeted Expenditures</b>	<b>29.1%</b>	<b>n/a</b>	<b>26.7%</b>

Per the FY 2016 and FY 2018 ACFR's, the City is maintaining its target 10% in the Rainy-Day Emergency assigned funds as well as meeting GFOA's recommended minimum of Unrestricted Fund balance. However, *review of Munis data for Fund Balance showed significant differences from the ACFR reported Fund Balances:*

**Figure 23: Comparison of FY 2018 ACFR to Munis Trial Balances**

Comparison of FY 2018 ACFR Exhibit 3 Balance Sheet of Governmental Funds Against Trial Balance Data Pulled from Munis						
	<b>FY18 ACFR Ex3-General</b>	<b>Munis COA Inq Gen Fund 011</b>	<b>Gen Fund Diff (ACFR-Munis)</b>	<b>FY18 ACFR Ex3-Total Govt</b>	<b>Munis COA Inq GOV Fund Grp</b>	<b>GOV Fund Grp Diff (ACFR-Munis)</b>
<b>Assets</b>						
<b>Fund balances:</b>						
Nonspendable:						
FB-Prepaid items	3,129	-	3,129	3,129	-	3,129
FB-Inventories	71,052	-	71,052	71,052	-	71,052
FB-Due from School Board	-	-	-	1,132,247	-	1,132,247
FB-Restricted for capital projects	-	-	-	9,113,184	17,615,920	(8,502,736)
Assigned:						
FB-Fire department equipment	160,000	-	160,000	160,000	-	160,000
FB-Next year budget	-	542,108	(542,108)	-	542,108	(542,108)
FB-Rainy day emergency	5,230,302	657,357	4,572,945	5,230,302	657,357	4,572,945
FB-Perpetual care	1,037,346	-	1,037,346	1,037,346	-	1,037,346
FB-Self-insurance	500,000	-	500,000	500,000	-	500,000
FB-Anti-Litter	-	-	-	35,423	-	35,423
FB-Assigned unknown	-	5,433,426	(5,433,426)	-	(7,033,535)	7,033,535
<b>Total Assigned</b>	<b>6,927,648</b>	<b>6,632,891</b>	<b>294,757</b>	<b>6,963,071</b>	<b>(5,834,070)</b>	<b>12,797,141</b>
FB-Unassigned	7,203,072	4,944,573	2,258,499	5,126,530	3,012,704	2,113,826
<b>Total fund balances</b>	<b>14,204,901</b>	<b>11,577,464</b>	<b>2,627,437</b>	<b>22,409,213</b>	<b>14,794,554</b>	<b>7,614,659</b>

*If there were adjustments made during preparation of the ACFR, the City should have updated Munis with adjusting entries. This does not appear to have been done.*

**Cash Flow Forecasts:** The City does not perform cash-flow forecasting. The City should conduct cash forecasts to ensure sufficient operating liquidity by estimating the available cash deposits, expected inflows, and required outflows and disbursements during a given period. Best practices in local government promote that governments at all levels forecast flows of cash





for major revenues and expenditures to prevent the need for short-term borrowing, resorting to unassigned or “rainy day” reserve funds and limiting idle cash balances.

**Investments:** Governments have a fiduciary responsibility in managing their funds, including active management, and monitoring of cash and investments. The investment program should derive from Investment Policy and should balance the need to manage risk and ensure funds are liquid enough to be available with the objective to utilize idle cash in investments to maximize returns. ***While the Treasurer’s office is where responsibility for investments resides, the Finance Department needs to understand cash and investment positions to report on them.*** Establishing and using an ongoing cash flow forecasting process is an essential pre-requisite to managing what cash is available for investment at what point in time and establishing when invested cash needs to become liquid again to cover cash outflow needs.

**Annual Budget Process:** In advance of each fiscal year, the City prepares an annual budget or “Financial Plan” that consists of budgeted revenues and appropriations for expected expenditures for the various funds of the City and its Component Units.) The budget is developed by a Department/Program functional basis and for each major Fund Appropriation including General Fund, Enterprise Funds, School Funds, Children’s Services Act Fund, Special Revenue Funds and Capital Fund.

The City’s annual budget process commences each November with the proposed budget presented to City Council at the end of March, for the fiscal year effective July 1. There is a dedicated Senior Budget Analyst within the Finance Department who engages City-wide department directors and/or their deputies each Fall to begin preparing budgets for the next fiscal year.

Budgets are prepared by the individual departments, but the centralized budget analyst assists in loading budgets into Munis. Consistent with most municipalities use of Munis, the City’s annual budget is loaded at a detailed chart of accounts level to facilitate the use of Commitment Control functionality within Munis that creates encumbrances against the budget at the time purchase orders are issued and then relieves the encumbrance and records actual expenditures when AP invoices are processed.

***The City utilizes an incremental budget approach.*** The starting point for budgets is the prior year’s approved budget with Departments providing “incremental” or net new expenses for the proposed budget year. The budget process appears to be decentralized in that Departments preparing “incremental needs” without much guidance from the City Manager or Finance. Departments provide narrative justification for an incremental adjustment.

The Finance Budget Analyst primary duties includes preparing reporting of the proposed budget for Council with explanations of changes from prior year, ensuring budget is balanced by fund, monitoring encumbrances and actual spending against the budget during the year, and assisting departments with processing City Council approved amendments to the budget during the year.

**Multi-Year Financial Forecasts:** ***The City does not undertake any multi-year financial forecasts or cash-flow forecast for the appropriated budget funds.*** Capital projects usually



run for more than one year. To better understand future obligations, it is essential to make a financial plan that covers the full duration of capital projects. A long-term financial planning process is a sustainable financial management lever for City Council and City Management leaders to focus on long-term objectives, encourages strategic thinking, and promotes overall awareness for financial literacy in an organization.

**Budgeted Revenues and Expenses:** This section provides an overview of the Assessment completed on the Budget Revenues and Expenses for the City’s primary operating fund – General Fund.

**Figure 24: Summary of General Fund Revenues: Unaudited Budget to Actual (FY 2019 – FY 2022)**

	Budget Original	Budget Adjustments	Budget Revised	Budget Actuals	% Budget Increase	Over under against Original budget.	Over under against Revised budget
FY2019	\$52,918,072	\$422,355	\$53,390,427	\$50,970,533	1%	-4%	-5%
FY2020	\$52,303,029	\$7,168,273	\$59,471,302	\$52,795,865	12%	1%	-13%
FY2021	\$52,617,677	\$9,557,347	\$62,613,421	\$54,487,187	16%	3%	-15%
FY2022	\$54,356,282	\$8,176,352	\$62,532,633	\$61,367,088	13%	11%	-2%

**Figure 25: Summary of General Fund Expenses: Unaudited Budget to Actual (FY 2019 – FY 2022)**

	Budget Original	Budget Adjustments	Budget Revised	Budget Actuals	% Budget Increase	Over under against Original budget.	Over under against Revised budget
FY2019	\$52,918,072	\$727,578	\$53,646,650	\$52,232,686	1%	-1%	-3%
FY2020	\$52,303,029	\$7,634,532	\$59,937,561	\$56,327,789	13%	7%	-6%
FY2021	\$52,617,677	\$9,995,774	\$62,613,421	\$59,360,884	16%	11%	-5%
FY2022	\$54,356,282	\$8,939,512	\$63,286,794	\$55,434,890	14%	2%	-14%

The above tables describe revenues and expenses of the City’s primary operating fund, the General Fund, over the last four years based on financial information from the Munis Flexible Period Reports provided by the City. **Both revenues and expenses have been consistently underestimated in the original budgets at the start of the year.** The discrepancy percentage in expenses versus revenues is consistently larger and should be reviewed further and considered when constructing budgets going forward.

A&M was told that the City’s policy (no formal documentation was provided to validate such policy) is that the budget is balanced each year with no use of fund balance. Over the last three years, there were large adjustments to budgeted revenue each year labeled “Transfers” within Munis Flexible Spending Report: \$5.2 million in FY 2020, \$1.8 million in FY 2021, \$3.3 million in FY 2022. **The sources of those revenue adjustments are unclear from the Munis report and the Actuals revenues reported in Munis do not reflect those transfer increases.** This should be evaluated further to determine whether budget and/or actuals for those years have



been completely recorded in the Munis accounting system. It may be that these increases in budgeted revenues were from the receipt of various COVID related grant funds.

**1. Strengths, Hurdles, Opportunities & Weakness Assessment**

The table below reflects our assessment of the Strengths, Hurdles, Opportunities, and Weakness (SHOW) of the City’s Financial Health. This independent assessment is based on our experience and government finance knowledge, interviews with employees and key stakeholders, focus groups, as well as a review and analysis of data and information received.

**Figure 26: SHOW Assessment – Financial Condition**

Strengths, Hurdles, Opportunities & Weakness Assessment (SHOW) Financial Condition
<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>• As of February 2023, the Finance Director has delivered the first financial status report for the City Finance Committee since 2021. The status report includes year to date budget to actuals by revenue source</li> <li>• Annual Budgeting process exists, and budget plan is finalized/approved by City Council before start of the fiscal year</li> <li>• Process exists for request and approval of amendments to the budget during the year</li> <li>• City Council approves budget transfers between Fund appropriations</li> <li>• Munis has robust spending control and financial reporting capabilities when configured and utilized effectively</li> <li>• Department Heads have access to reporting in Munis to be able to pull reports required to manage their internal finances, however the extent to which this is happening varies across departments</li> </ul>
<p><b>Hurdles:</b></p> <ul style="list-style-type: none"> <li>• Recent turnover of operational Department Heads has brought lack of understanding of the budget process and confusion on responsibilities and expectations on participation in budget development, monitoring and controls</li> <li>• Lack of consistent understanding of financial reporting and budgeting principles across Department Heads</li> <li>• Limited documentation on the budget process and procedures inside and outside of the ERP for creating and maintaining the budgets, as well as the impact of the budgets on procurement and payables process</li> <li>• Uncertainty of cash flow and fund balances within Department defined fund appropriations</li> <li>• Current cash reconciliation analysis is manual in nature, which requires a significant amount of time to complete, and the functionality is not aligned with best practices in cash management and accounting</li> <li>• Various cash collection and receipting processes used across City Departments</li> <li>• Data is not used to drive strategic decision making</li> </ul>



- The City indicated that financial information and data in Munis is not reliable, which limits the ability to rely on “canned” reporting from the system.
- Lack of training on financial accountability responsibilities in timely and accurate financial reporting

**Weaknesses:**

- No long-term financial revenue and expense forecasts
- Annual budget process is incremental based and not aligned to strategic priorities or goals
- Assessment interviews discovered there is a lack of formal capital planning process
- Lack of multi-year Capital Improvement Plan
- Baseline budgets on prior year’s dollar budget does not work well for all departments (e.g., wastewater renewal treatment facility has dramatic changes in revenues each year based on rainfall)
- Little communication out to the departments on how grant funds can be used; departments more or less on their own to appropriate ARPA and other grant funds to spending categories during the budget process and determine what can be spent against the budgeted funds
- Long term obligations were not available or provided
- No approved Capital Maintenance & Improvement Plan for major capital equipment and infrastructure needs
- Lack of routine financial performance of the City provided to the City Manager and City Council.
- Inability to produce unaudited financial statements, inhibiting the ability to accurately assess financial performance, including understanding cash balances, reserves, and accrued liabilities.
- Staffing constraints to financial management and analysis on financial condition of the City
- Limited monitoring of revenue and expense operating budget
- Incomplete and inaccurate financial records, which hinders the City’s ability to report accurate financial information and make informed financial decisions
- Chart of Accounts are not defined in a manner that supports effective production of financial statements
- Limited multi-year financial planning
- Lack of cash flow forecast process
- Insufficient controls over cash and investments
- Cash account reconciliation does not include reconciling to revenues and/or the general ledger
- Bank accounts that are not aligned to the City’s fund appropriations
- Little communication to Departments on how grant funds can be used
- The Munis Flexible Period Report is very basic text-based PDF report by trial balance account code segments; provides limited value to Budget Analyst or department head



reviewing how budget is fairing against encumbrances and actual expenditures during the year

- The School District's operating funds are managed within the main bank account for the City, which limits the ability of the District's Finance staff to reconcile funds for the School District against their financial system.

**Opportunities:**

- Add temporary external resources dedicated to the cash reconciliation to expedite eliminating the outstanding backlog and expanding the reconciliation analysis
- Refine the cash reconciliation model to use more analytical mechanisms can help with automating identification of variances between the bank and Munis for cash balances
- Implement a review process for any adjusting journal entries will reduce the chance of adjustments being applied incorrectly The City should consider expanding the external resources dedicated to the cash reconciliation to expedite eliminating the outstanding backlog and expanding the reconciliation analysis
- Refine the cash reconciliation model to use more analytical mechanisms can help with automating identification of variances between the bank and Munis for cash balances
- Implement a review process for any adjusting journal entries will reduce the chance of adjustments being applied incorrectly
- Deploy budget monitoring reports that incorporate metrics and visualizations that better assess how spending and commitments against budget during middle of the year are tracking against the full year budget and against same period prior year so that potential overspending problems can be identified early (see sample Monthly Financial Report to City Council of another Virginia city that includes Comparative Statement of Revenues and Comparative Statement of Expenditures reports that reflect % of budget spent to date for current fiscal year and comparison to the % spent against budget at same period during prior year: [Legislation Text - 23-0809 \(alexandriava.gov\)](https://leg1.text.legis.virginia.gov/legislationText.aspx?id=23-0809))
- Develop reporting mechanisms and ERP trainings for financial users that enable them to export budget and actuals data to Excel for enhanced ad hoc analysis and reporting
- Eliminate incremental budgeting approach and deploy priority-based budgeting process for all Funds
- Incorporate driver-based concepts into budgeting for enterprise funds
- Align chart of accounts to better support financial reporting
- Align bank accounts to fund appropriations

## 2. Findings & Recommendations

A&M has identified five improvement recommendations in the Assessment of the financial condition of the City and its Component units. The recommendations include:

### **Recommendation 1. Measure and monitor the financial health and year-to-date performance of the City**

#### **1.A. Measuring & Monitoring Financial Performance**



**1.B. Cash-flow Forecasting**

**1.C. Recommended Key Financial Assessment Metrics & Ratios**

**1.D. Long Term Obligations & Liabilities**

**1.E. Financial Reporting**

**1.F. Chart of Accounts**

**Recommendation 2: Create multi-year financial plan**

**Recommendation 3. Evaluate cash management & investment practices**

**Recommendation 4: Identify alternative capital financing options**

**Recommendation 5: Create an annual Priority-Based Budget process**

The below section of this report will provide a summary of the findings for each recommendation and identify key actions needed for immediate action. The Stabilization and Turnaround Plan provided detailed guidelines, tasks, and timelines for the completion of these recommendations and strategic actions.

**Figure 27: Financial Condition Findings & Recommendations**

Financial Condition Findings & Recommendations
<p><b>Recommendation 1. Measure and monitor the financial health and year-to-date performance of the City</b></p> <p><b>1.A. Measuring &amp; Monitoring Financial Performance</b></p> <p>An established financial health monitoring system can serve as an early warning system of impending financial difficulty can serve to prevent disruption in critical government services. Monitoring the financial health allows for improved communication and data for informed decision making.</p> <p>The figure below presents recommended “early” adoption financial metrics to measure the financial health of the City. These initial ratios will allow the Finance Department to report on the (1) Financial Position (2) Financial Condition and (3) Economic Condition of the City in a clear and concise manner. The source for the data analysis will be from the annual financial statements.</p>



**ICMA's 2003 Evaluating Financial Condition:  
A Handbook for Local Government**

**Concepts to describe a Government's Financial Health**

- **Financial Position** focuses on assets and liabilities that require cash or are normally converted to cash in the short-term (i.e., liquidity)
- **Financial Condition** refers to a government's ability to meet its financial obligations to creditors and others as they become due, as well as its service obligations to constituents currently and in the future (i.e., solvency)
- **Economic Condition** is a term the Government Accounting Standards Board (GASB) uses to capture a composite of the government's financial health and its ability and willingness to meet its financial obligations and service commitments

**Types of Solvencies**

- **Cash Solvency** is the ability to generate enough cash over a 30- or 60-day period to pay its bills
- **Budgetary Solvency** is the ability to generate enough revenue over its normal budgetary period to meet its expenditures and not incur deficit
- **Long-run Solvency** is the ability in the long-run to pay all the costs of doing business □  
Service-level solvency—ability to provide services at the level and quality that are required and desired for the health, safety, and welfare of the community

**Figure 28: Priority Financial Health Indicators**

Metric Description	Meaning of Financial Health Indicator
<p><b>Unassigned General Fund Balance</b> <i>Unassigned Fund Balance ÷ (General Fund Expenditures + Transfers Out)</i></p>	<ul style="list-style-type: none"> <li>• Measures the City's current Unassigned General Fund Reserve that could be used to stabilize City revenues during periods of uncertainty relative to General Fund disbursements</li> <li>• The greater the unassigned reserve percentage, the more financial flexibility the City will have in periods of economic downturn or uncertainty</li> </ul>
<p><b>General Fund Reserves</b> General Fund Balance (excluding Restricted Fund Balance) ÷ (General Fund Revenues + Transfers In)</p>	<ul style="list-style-type: none"> <li>• Measures the City's current Unassigned General Fund Reserve that could be used to stabilize City revenues during periods of uncertainty relative to General Fund disbursements</li> <li>• The greater the unassigned reserve percentage, the more financial flexibility the City will have in periods of economic downturn or uncertainty</li> </ul>



<p><b>Current Ratio</b>  <b>Current assets</b> listed on the balance sheet include cash, accounts receivable, inventory, and other current assets (OCA) that are expected to be liquidated or turned into cash in less than one year</p> <p><b>Current liabilities</b> include accounts payable, wages, taxes payable, short-term debts, and the current portion of long-term debt</p> <p><i>Current assets ÷ Current liabilities</i></p>	<ul style="list-style-type: none"> <li>• The current ratio describes the relationship between an entity's assets and liabilities. So, a higher ratio means the company has more assets than liabilities.</li> <li>• A current ratio of 1.5 would indicate that the government has \$1.50 of current assets for every \$1 of current liabilities.</li> <li>• For example, suppose the City' current assets consist of \$50,000 in cash plus \$100,000 in accounts receivable. Its current liabilities, meanwhile, consist of \$100,000 in accounts payable.</li> </ul>
<p><b>General Fund Trends</b>  <i>Three Year Average of General Revenue Growth</i></p>	<ul style="list-style-type: none"> <li>• Measures the City's current Unassigned General Fund Reserve that could be used to stabilize City revenues during periods of uncertainty relative to General Fund disbursements</li> <li>• The greater the unassigned reserve percentage, the more financial flexibility the City will have in periods of economic downturn or uncertainty</li> </ul>
<p><b>Liquidity</b>  <i>General Fund Cash ÷ (General Fund Revenues + Transfers In</i></p>	<ul style="list-style-type: none"> <li>• Measures the City's General Fund cash relative to General Fund disbursements.</li> <li>• A higher liquidity percentage indicates more flexibility of the City to respond to unexpected expenditures as they have adequate cash on-hand to fund expenditures</li> </ul>
<p><b>Debt as % of Assessed Value</b>  <i>Outstanding General Obligation General Government Debt ÷ Assessed Value</i></p>	<ul style="list-style-type: none"> <li>• Measures the City's debt burden relative to its tax base. In general, a higher debt to assessed value percentage indicates a higher debt burden on the City and a lower debt to assessed value percentage indicates a lower debt burden on the City</li> <li>• The City should use this ratio to determine affordability of future long term financing debt plans</li> </ul>
<p><b>Long Term Liability Burden</b>  <i>Outstanding G.O. General Government Debt + Net Pension Liability ÷ City Personal Income</i></p>	<ul style="list-style-type: none"> <li>• Measures the City total existing General Obligation debt and pension liability against the City's aggregate personal income</li> </ul>





	<ul style="list-style-type: none"> <li>A higher long-term liability burden indicates more pressure on the City's tax base to afford outstanding liabilities while a lower long-term liability burden indicates less pressure on the tax base</li> </ul>
<p><b>Pension Cost</b> <i>Actuarially Determined Contribution ÷ Total Governmental Fund Revenues</i></p>	<ul style="list-style-type: none"> <li>Measures how much the City's annual pension cost comprises of the City's annual revenue. In general, a lower percentage indicates a lower impact of the pension costs on the total annual revenues, leaving additional revenues for another City uses</li> </ul>
<p><b>Poverty Line</b> <i>% of Population below the Property Line</i></p>	<ul style="list-style-type: none"> <li>Shows what percentage of the City population below the poverty line</li> </ul>
<p><b>Median Family Income</b> <i>Median Family Income (Hopewell) ÷ US Family Income</i></p>	<ul style="list-style-type: none"> <li>Measures the City's median family income in comparison to the United States. Relative to FY 2020, the City's median family income as a percentage of U.S. median family income is up slightly, indicating that the City's median family income grew at a faster rate than the U.S.</li> </ul>

**1.B. Cash-flow Forecasting:**

The City needs to develop and monitor a cash-flow forecast for each major fund appropriation. This is to ensure that the City has sufficient cash liquidity to meet disbursement requirements and limit idle cash. Cash forecasts are an essential financial health measurement to ensure: (1) sufficient operating liquidity by estimating the available cash deposits (2) expected inflows of cash and (3) required disbursements or outflows<sup>5</sup>

- **Common Inflows:** Tax receipts, State aid payments, Utility payments, Federal & State grant revenue, Fees and penalties, Interest income on investments, and Bond proceeds
- **Common Outflows:** Employee payroll & benefits, Payments to vendors for goods & services, Bond & interest payments, capital expenditures, transfers to other Funds and Other Governments, Accrued payables, Long term liabilities, Legal settlements

Best practices in government finance support the need for governments to perform ongoing cash forecasting to ensure that they have sufficient cash liquidity to meet disbursement requirements and limit idle cash. The cash forecast analysis measures and assesses the government's ability to meet its liquidity needs. Cash forecasting can reduce the need for

<sup>5</sup> <https://www.gfoa.org/materials/using-cash-forecasts-for-treasury-and-operations-liquidity>

short-term borrowing or liquidation of long-term investments before maturity in the event of a cash shortfall and can identify idle funds and determine whether those funds could be invested during that idle time frame.

Cash forecasting will help recognize structural issues that might have a negative impact on their cash positions. When looking at the entire organization, governments use cash forecasting to coordinate spending patterns and mitigate potential shortfalls by using this information to improve revenue collection practices and align revenues and expense cycles. Cash forecasting is an essential tool for informed management decision making.

***The City should perform ongoing cash forecasting to ensure that they have sufficient cash liquidity to meet disbursement requirements and limit idle cash.*** The cash forecast period should be at least a 12-month rolling period and updated monthly. The monthly update will ensure sufficient liquidity and actual cash flow results should be compared with the cash forecast projections. The cash forecast report should be frequently reviewed by finance management and a summarized report could be included in the periodic investment report.

#### ***1.C. Financial Reporting:***

***The City needs to create enhanced financial management reporting and analysis tools and training opportunities for the elected officials, city management and departments to be keep abreast of the financial health and year to date trends within the organization.*** Current side reporting and tracking mechanisms that various Departments are using need to be addressed through enhanced use of existing Munis reporting tools, including training on reporting applications.

The City should develop reporting mechanisms and ERP training of financial users on ad hoc inquiry and reporting that allows for running budget and actuals data out to Excel so Budget Analyst and/or department head can do additional ad hoc analysis such as slicing by different chart of account components or calculating percentage spend to suit specific issues raised during the year where standard report does not yet exist.

At the minimum, the ***City should be producing the following reports on a monthly basis:***

- Executive summary / dashboard of the current financial condition of the City using key financial performance indicators
- Income Statement for each major appropriated Fund
- Budget to Actual reports for each appropriated fund and by Department function
- Financial and trend analysis on budgetary performance
- Budget to Actual for Capital Projects with accompanying status update
- Summary of position inventory by Department and status (e.g., Authorized, Vacant, Attrition Rate, and Dollar Savings)
- Available Fund Balance by Fund
- Cash Balances by Major Fund
- Banking Balances by Major Fund



- COVID State and Local Fiscal Recovery Funds (SLFRF) expenses and obligations for each grant appropriation
- Summary of Aged Payables and Receivables
- Summary of Idle Cash and Reserve Cash Investments

Such reports will require the coordination of identified financial and cash management information between the City Departments.

The City should work with the various Component Unit agencies to ensure that they are submitting monthly financial activity on a timely basis, which is included in the monthly reporting processes.

#### **1.D. Long Term Obligations & Liabilities**

Due to the limited availability of financial information for the period of FY 2019 to FY 2023 year to date, A&M could only perform a high-level review of long-term obligations and liabilities on the City's financial positions. While A&M was able to see year end bank balances, ***A&M was unable to validate those balances against preliminary cash balances for each of the major fund appropriations.***

It is critical that the City review implement improved processes to review and validate long term commitment and obligations to ensure that:

- Sufficient cash revenues are available to meet the commitments and obligations
- Correct reporting of long-term commitments and obligations in the City's Balance Sheet and Statement of Net Assets
- The financial position of the City is being properly reported to the governing body and financial disclosure entities (e.g., bond holders)

One area of immediate attention is the lack of reporting of the current and prior year Wastewater Treatment Facility agreement rebates. Presently there is no liability posted within the financial statements for any agreed to credit/rebates. It is also critical that the City compare any prior and current year Wastewater Treatment Facility rebates to available cash within the Wastewater Treatment Facility Fund. See the **Wastewater Treatment Facility Rebates** findings and recommendations in Task 4. section of this report for specific improvement recommendation strategies.

#### **1.E. Chart of Accounts**

Based on the findings that ***the Munis chart of accounts are not defined in a manner to effectively support financial reporting,*** A&M recommends that the City review and update the chart of accounts to ensure that is aligned with the current financial reporting requirements.

This will involve simplifying the account structure, updating account descriptions, and adding new accounts as needed. To ensure accurate financial reporting going forward, A&M recommends that the City conduct a thorough review of all entries in Munis to ensure that they are complete and accurate. This will involve working with the Auditors to identify and



address any outstanding issues from FY 2018, as well as implementing controls to prevent future errors or omissions.

A&M also recommends that the City invest in training for staff members responsible for maintaining the Munis system to ensure that they have the necessary knowledge and skills to effectively manage the system (e.g., chart of accounts, project structure, etc.) and produce accurate financial reports. A&M also recommends that the City establish a regular review process of the transaction data to ensure that financial reporting is accurate and timely.

**Key Recommendation Actions:**

- Create financial benchmarks and ratio analysis to monitor financial health of the City based on financial audits and economic data from the US Census
- Review financial benchmarks monthly to determine any financial adjustments or revisions to spending plans
- Reconcile monthly financial revenues and expenditures for Component Unit agencies into the City's General Ledger
- Create monthly cash flow projections for each major fund
- Redesign and align chart of accounts to more effectively support reporting
- Create monthly financial reports and analyses using Munis reporting tools
- Validate and update the recording of long-term obligations and commitments for all Funds

**Recommendation 2. Create multi-year financial plan**

Key to sound financial health and management of the City, is the process beyond the annual budget cycle and multi-year capital plan, the need to identify long-term financial trends. This includes the creation of multi-year planning that includes projecting revenues, expenses, and key factors that have a financial impact on the City.

Understanding long-term trends (e.g., liabilities, contract requirements, debt services, capital expenses) and potential risk factors that may impact overall financial sustainability alerts the City of financial actions that may be needed. A multi-year financial planning process allows City Council and City Management to:

- Focus on long-term objectives
- Make decisions based on data and analysis
- Encourages strategic thinking
- Promotes overall awareness for financial literacy in an organization

A well-defined multi-year or long-term financial plan includes projecting revenues, expenses, and key factors that have a financial impact on the organization. Understanding long-term trends and potential risk factors that may impact overall financial sustainability allows the finance officer to proactively address these issues.

A long-term financial planning process is a sustainable financial management lever for City Council and City Management leaders to focus on long-term objectives, encourages strategic thinking, and promotes overall awareness for financial literacy in an organization.

**Key Recommendation Actions:**

- Forecast long-term revenue and long-term expenses
- Review and set user fees, charges for services and utility rates
- Identify unfunded liabilities, including pension-related issues
- Assess infrastructure condition and determine long-term maintenance, repair, and replacement needs
- Determine long-term debt capacity
- Conduct a general environmental scan that includes economic, community, and political/regulatory trends that may impact the organization's financial position
- Identify and assess potential risks including those from natural disasters, economic shocks, or other societal issues that may cause financial distress
- Identify strategies to take that will accomplish long-term financial planning targets and mitigate potential risks

**Recommendation 3. Evaluate cash management & investment practices**

The Focus group held with Department Heads and Budget Analysts illuminated that there are varying cash collection processes across Departments. The City could benefit from centralizing cash collections at a single point. Additionally, the City indicated that there can be a significant lag between when payments are received and when they are booked in the system. Centralizing cash collections and creating a standard approach to cash management could help to eliminate these variances and reduce delays in getting cash booked in the system.

***While maintaining some cash on hand is a part of prudent financial management, having excess cash on hand limits the potential interest revenue the City could be earning on these funds.*** The Commonwealth of Virginia has investment pools of allowable investments that could benefit the City. Additionally, in the current elevated interest rate environment, there could be opportunities to obtain more favorable interest rates on funds held in the City's bank account.

***HCPS has challenges in the monitoring and revenue accounting for cash deposits, grant payments and various pass-through monies from the Commonwealth due to the monies for the District being part of the City's overall operating account.*** HCPS has a separate accounting system that requires extensive alignment efforts to the City's Munis system. The City should consider the establishment of a separate bank account for accounting for revenue and expenses for HCPS to improve coordination of reconciliation and financial reporting.

#### Key Recommendation Actions:

- Develop a detailed inventory of all cash collection mechanisms across the City
- Identify a strategy for centralized cash collections that meets the needs of the City and residents
- Document and adopt a cash management policy and related procedures
- Determine the amount of cash the City needs to maintain in the bank accounts
- Negotiate with the bank to maximize interest earned on cash on hand
- Evaluate eligible investment opportunities for excess cash
- Establish a separate bank account to manage District funds

#### Recommendation 4. *Identify alternative capital financing options*

The City has a number of capital projects and deferred maintenance that continue to be delayed because the City cannot access the capital markets for the issuance of long-term General Obligation or Enterprise System Revenue Bonds. Banks are also unlikely to lend to the City due to the lack of recent financial statements. While working on getting the credit rating reissued, there are other capital financial options the City should consider:

- **Virginia Resources Authority (VRA):** VRA provides cost-effective financing options for Virginia municipalities, using revolving fund loans at below-market interest rates and to issue bonds using the strong credit quality of the Commonwealth.
- **Virginia Public Schools Authority (VPSA):** VPSA provides low-cost financing options to support public primary and secondary education, especially for communities that are not readily able to access the capital markets.
- **Grants:** With the national focus on infrastructure, exploring grant opportunities that are available through federal and state governments could provide funding for required infrastructure improvements.
- **Public-Private Partnerships (PPPs):** PPPs can provide a long-term revenue stream for the City and can help subsidize the cost of capital costs and new development opportunities with the private sector.

#### Key Recommendation Actions:

- Prioritize capital projects and determine potential alternative financing options for each one
- Engage Financial Advisor to determine if the City meets the eligibility requirements of the Commonwealth's financing programs
- Identify appropriate grants and apply for those where the City has eligible capital improvements
- Identify opportunities to pursue PPPs to support capital projects and redevelopment opportunities



### **Recommendation 5. Create an annual Priority-Based Budget process**

Hopewell should improve its annual budget planning, administration, and execution process that shifts from incremental budgeting to alignment of resources to City adopted Strategic Goals and Priorities.

#### **Key Benefits of Priority-Based Budgeting**

- Allocates resources in alignment with strategic goals and priorities
- Achieves optimal service delivery and justifies continued investment in a program
- Enables evidence-based program or project investment based on how well a program is serving its customers and achieving its goals
- Supports the strategic development of long-term financial plans and multi-year planning
- Utilizes performance measures to vet service delivery quality and justify project investment

***A refined budget process for Hopewell is needed to support comprehensive planning, shared decision-making, strategy development and application, and resource allocation as a way of achieving established goals and objectives.***

A&M finds that state and local governments are moving toward more dynamic budgeting processes that include a hybrid approach in using both Performance and Priority-Based

Budgeting Processes focusing on achieving specific results with strategies that provide the highest value for the dollar versus incremental budgeting practices.

Performance and Priority-Based Budgeting (“Priority-Based Budgeting”) establishes a strong connection between the budget and service delivery, and this starts with a vision for service-oriented objectives for the community.

Clear priorities and levels of service enable Departments to build strategic and operational programs and then align and allocate resources to successfully deliver them. This approach empowers City leadership to better understand key operational programs and focus discussions on desired service levels and service outcomes.

Governments are using budget practices to align its financial resources with established priorities and to establish the continued monitoring of its financial, operational, and spending requirements. Such an alignment can serve as a tool for annual budget processes to align resource allocations to these strategic priorities and action plans in the comprehensive plan.

Best practices in budgeting require the establishment of City’s vision, mission and goals that allow Departments to create Action Plans that align resources to the Plan. Secondly, key to the resource allocation plan is ongoing monitoring of the budget results to ensure alignment of City’s priorities. The City should ensure that Department annual budget aligns current and future resource allocations to defined priorities.

A&M recommends a future state annual budget planning process based on Priority-Based Budgeting principles and best practices. The process will align Hopewell’s operational and support needs with available resources. It will also provide for the ongoing review of the City’s

goals, priorities, and performance to ensure financial resources are meeting the day to day and long-term programmatic needs of the City. Major tasks include:

- Developing and modifying Hopewell’s organizational mission and goals
- Establishing strategic program goals and program delivery priorities, based on the mission and goals of Mayor and City Council
- Efficiently identifying the most desirable programs to be placed in operation
- Creating “bottoms-up” budget estimates based on the estimated cost in providing the priority services
- Allocating the appropriate level of resources to each program
- Monitoring and evaluating each program during and at the end of its operation
- Reporting the effectiveness of each program

The following graphic shows the nine key tasks of the recommended Hopewell’s Annual Planning Process.

**Figure 29: Recommended Budget Planning Process**



It is particularly important to have a clear and transparent link between the budget process and the planning process. This link should include metrics related to how resources are being spent and how well the Department is performing in support of its defined goals and priorities. For example, new funding requests would be required to align to the strategic goals and priorities for consideration.





This proposed budget and resource allocation process supports the added processes of monitoring and evaluation. See **Appendix B – Budget Process** for detailed Recommendations and Key Tasks for the implementation of a Priority Based budget process.

GFOA established the Distinguished Budget Presentation Awards Program (Budget Awards Program) in 1984 to encourage and assist state and local governments to prepare budget documents of the very highest quality that reflect both the guidelines established by the National Advisory Council on State and Local Budgeting and the GFOA's best practices on budgeting. Governments who participate in the program are recognized in achieving the goal in creating a budget document that meets these goals. The budget document should be the outcome of a well-defined budget development and monitoring process.

The award represents a significant achievement by the participating government. It reflects the commitment of the governing body and staff to meeting the highest principals of governmental budgeting. To receive the budget award, the entity had to satisfy recognized guidelines for effective budget presentation.

The GFOA Distinguished Budget Presentation Award Program provides a practical method for improving budgeting process and creating a comprehensive annual budget book that results in an effective communication tool to share with citizens and stakeholders. While the Budget Document itself is a product of the detailed planning process, the best practice criteria support the budget document as primary vehicle for communicating the financial management information of governments to key Leaders and community stakeholders.

The US Public Finance Rating Services also confirmed the importance of the budget document and the receipt of the Budget Award to the credit evaluation process. Especially during economic downturns and challenges in service delivery, “the budget document provides assurance that the individuals charged with the responsibility of managing an organization are doing so in a fiscally responsible manner. The importance of the budget document to the financial community recently was substantiated in an interview with rating agency personnel.”

#### **Key Recommendation Actions:**

- Create of City Goals and Strategic Priorities
- Create Budget Guidelines and Hold Kick-Off Meeting

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#### **GFOA Government Finance Review The Award for Distinguished Budget Presentation Rating Agency Perspective**

**Standard & Poor’s Public Finance Ratings (S&P)** “Strong and effective financial management systems that clearly report annual financial results and that monitor and communicate budgetary developments ranks in my top 10 list of ways to preserve or improve your bond rating. By doing what it takes to achieve the GFOA’s Budget Award and Certificate Achievement, an issuer can make a strong argument for a higher bond rating consideration”.

**Moody’s Investor Service:** “I support the Budget Awards Program and think there are intangible benefits to receiving the Award”.

**Fitch Ratings:** “We support the Budget Awards Program and think it is positive for the industry”.

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- Budget Development & Planning Process Enhancements including:
  - Operational Action Plans
  - Program/Fund based revenue forecast
  - Resource Staffing and Changes in Position Authorization
  - Annual Review of Job Descriptions
  - Allocation of Position Costs to Budgeted Projects
  - Capital Maintenance & Improvement Project needs
- Identify New Spending and Change Requests for Proposed Budget
- Develop ongoing budget monitoring and reporting process
- Create on-line budget book that meets GFOA Budget for Excellence Award requirements

**TASK 3. ASSESSMENT OF THE CITY'S ORGANIZATIONAL FINANCIAL STRUCTURE AND INTERNAL CONTROL FRAMEWORK**

**A. Overview**

The governance of a municipality's financial management and operations is largely determined by its formally adopted financial policies. The City currently lacks sufficiently documented financial policies and procedures. A&M reviewed and assessed at a high level the policies, internal controls and financial operations for various internal operational functions that include the delivery of services and internal controls.

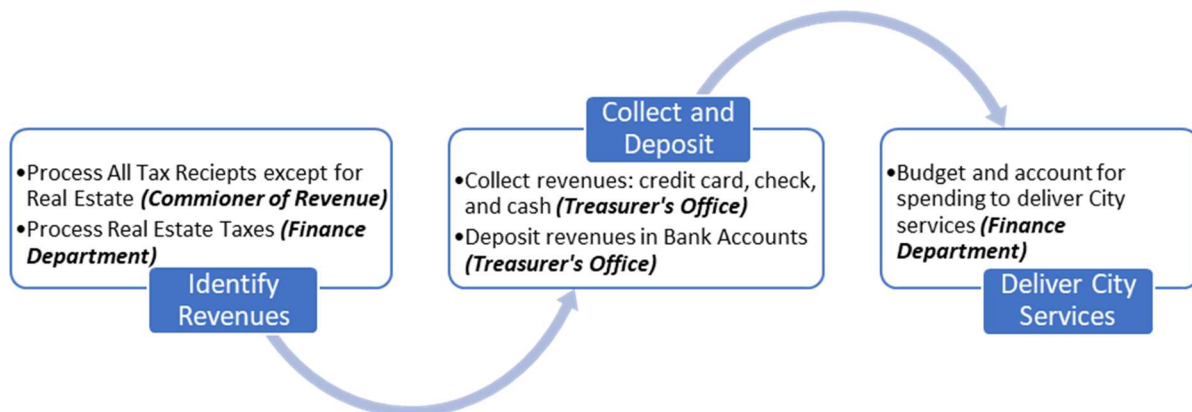
This section divides the Assessment into three sub sections: **(1) Organizational Assessment, (2) Internal Control Framework / Financial Operations, and (3) ERP Implementation.** Due to the level of detail collected during the assessment, the Internal Control Framework / Financial Operations is further subdivided into the following focus areas:

- Financial Management Policies
- Internal Controls
- Accounting Practices
- Bill to Cash Practices
- Procure to Pay Practices
- Budget Practices

**B. Organizational Assessment**

Financial Operations within the City are dependent upon a variety of organizations which are led by a combination of City staff and elected and appointed personnel. These organizations include the Department of Revenue, Finance Department, and Treasurer's Office. The figure below provides a high-level overview of how revenue is identified, collected, and deposited, and delivered for City Operations.

**Figure 30: Overview of Revenue Process**



These organizations must work closely together to ensure the financial operations of the City are managed effectively. If the organizational structure and communication between these groups is not managed well, issues will arise and impact the City’s ability to complete timely audits, recruit and retain qualified staff, and maintain trust with the public.

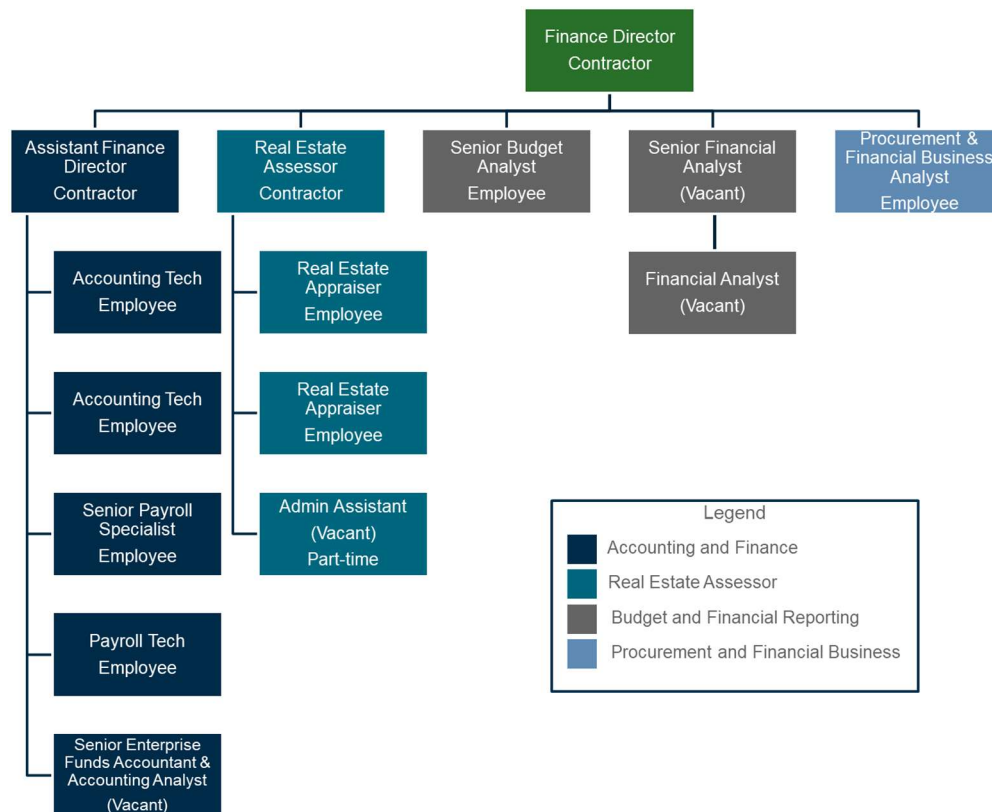
### Organization Structure

The Finance Department functional duties and responsibilities include:

- Debt Service
- Budgeting
- Accounting
- Financial Reporting
- Grant Accounting
- Payroll
- Accounts Payable
- Procurement
- Real Estate Assessment

The Finance Department has approved headcount of 14 positions (12 full-time and 2 part-time) which are grouped by Accounting and Finance, Budget & Financial Reporting, Procurement & Financial Business, and Real Estate Assessor (see figure below).

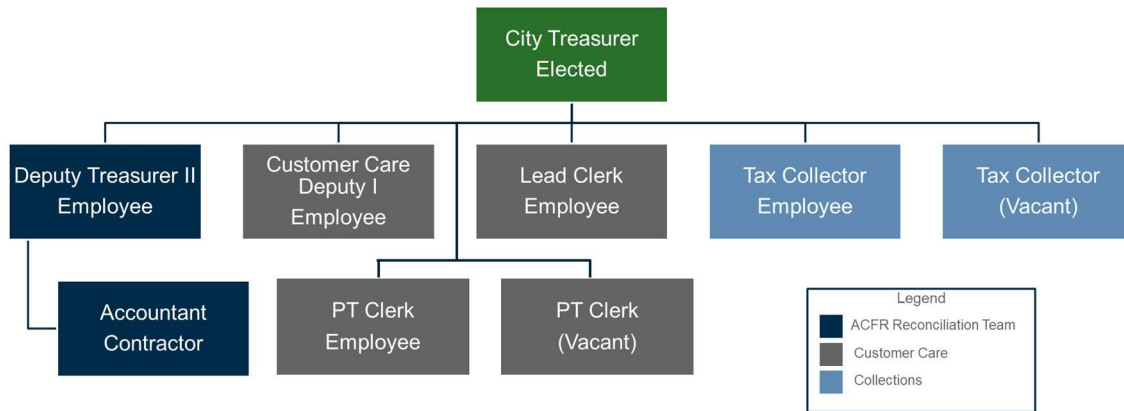
**Figure 31: Existing Finance Department Organization Structure**



The City Treasurer’s Office is responsible for the collection of local taxes and fees, the custody of and accounting for those collections, and the investment of city funds. The Treasurer’s Office

is authorized to have 8 full-time employees which are grouped by ACFR [Reconciliation Team], Customer Care [General Clerks], and Collections [Delinquent Tax Collectors] (see figure below).

**Figure 32: Existing City Treasurer's Organization Structure**



**The City did not demonstrate that it had defined performance measures or key operating benchmarks.** The annual budget process should include defining performance measures and key operating benchmarks. This information is useful in measuring the level of service and performance for each Department, as well as informing resource allocation decisions. A multi-year budget planning and goal setting process should link the mission and strategic priorities of the City Departments. This allows leaders to use meaningful metrics to assess financial and program results, evaluate resource decisions, and facilitate qualitative improvements in future decisions regarding resource allocation and service delivery.

**1. Strengths, Hurdles, Opportunities & Weaknesses Assessment**

The table below reflects our assessment of the Strengths, Hurdles, Opportunities, and Weakness (SHOW) of the City's Organizational Structure. This independent assessment is based on our experience and government finance knowledge, interviews with employees and key stakeholders, focus groups, as well as a review and analysis of data and information received.

**Figure 33: SHOW Assessment – Organizational Structure**

Strengths, Hurdles, Opportunities & Weaknesses Assessment (SHOW) Organizational Structure	
<b>Strengths</b>	<ul style="list-style-type: none"> <li>• Leadership within the Finance Department and City Treasurer's Office recognize they struggle with recruiting quality staff</li> <li>• Leadership understands that enhanced and improved training is needed to support the existing staff</li> <li>• Staff are eager to learn and are receptive to recommended organizational changes to improve performance</li> </ul>



### **Hurdles**

- The City struggles to follow a standardized Service Delivery Model which increases the chances errors are made. For example, each Department follows different processes and procedures when reconciling cash, which put increased pressure on the Treasurer's Office which is already understaffed and doesn't have sufficiently qualified staff.
- The Special Welfare and the Department of Revenue complete their own reconciliation but send exports to the Treasurer's Office to confirm. However, the Schools, Emergency Management Services (EMS), and the Police Department have asked the Treasurer to reconcile cash for them. To support the Treasurer's Office, the Finance Department is dedicating staff resources which is an additional duty for an organization already understaffed.
- The Finance Department lacks sufficient resources to address (1) financial reporting and analysis needs and (2) accounting support for reconciliation of the GL.
- Currently, there are limited to no key performance indicators (KPIs) to monitor finance/treasury operational performance. Without using KPIs to assess their performance, the City Council and other outside stakeholders are challenged to quantify their performance.

### **Weaknesses**

- The City does not budget for or forecast leachate revenues which makes it difficult for the City (and potentially the Manufacturers) to plan for how to use unbudgeted miscellaneous revenues
- The process of approving, funding, and executing projects has stalled as Manufacturers are reluctant to approve new spending. The City continues to delay distributing credits. From the City's perspective, the delays are negatively impacting the efficiency and effective operation of the facility which is driving the City to explore other funding sources such as Leachate Profits which the Manufacturers feel they should be entitled to through the rebate process.
- Lack of execution on recruiting and hiring to fill vacant positions
- Lack of sufficient resources to address:
  - (1) financial reporting and analysis needs,
  - (2) accounting support for reconciliation of the GL, and
  - (3) grants management

### **Opportunities**

- Develop and implement a future state design for how both the Finance Department and Treasurer's Office should operate and evaluated
- Recruit, hire, and retain experienced Finance and Treasury professionals
- Recruit experienced contractors that can surge to cover responsibilities from vacant positions.



**2. Findings & Recommendations**

A&M has identified three improvement strategy recommendations centered on organizational assessment. The recommendations include:

**Recommendation 1: *Recruit, hire, and retain experienced and qualified Finance Department and City Treasurer’s Office professionals***

**Recommendation 2: *Develop a Service Delivery Model so City financial services are designed, organized, standardized, and delivered to meet the needs of City staff***

**Recommendation 3. *Establish key department operation performance indicators***

The below section of this report will provide a summary of the findings for each recommendation and identify key actions needed for immediate action. The Stabilization and Turnaround Plan provided detailed guidelines, tasks, and timelines for the completion of these recommendations and strategic actions.

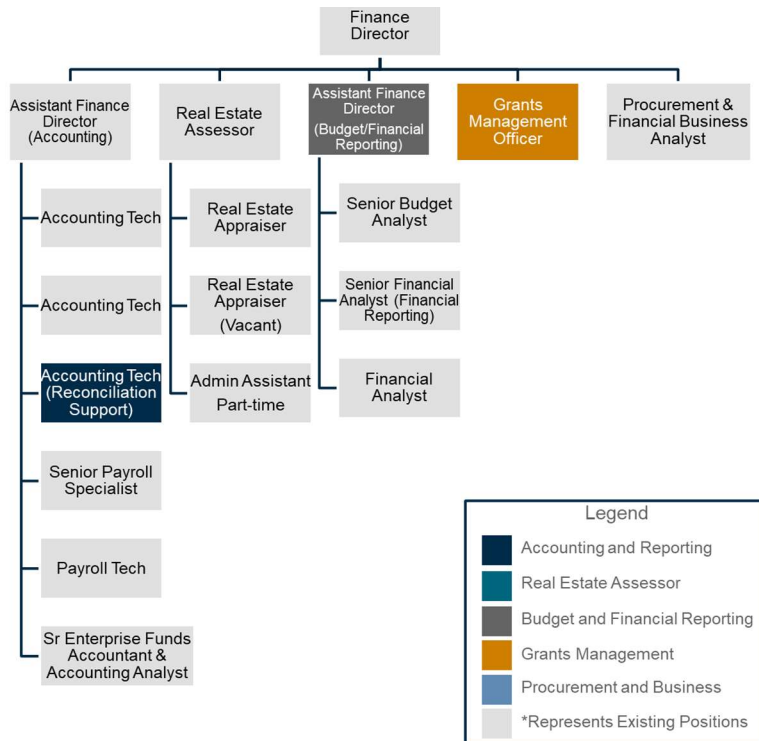
**Figure 34: Financial Organization Structure Findings & Recommendations**

Financial Organization Structure Findings & Recommendations:
<p><b>Recommendation 1. <i>Recruit, hire, and retain experienced and qualified Finance Department and City Treasurer’s Office professionals</i></b></p> <p>Both the Finance Department and Treasurer’s Office have experienced significant turnover caused by either staff leaving or changes in elected officials which has impacted each organization’s ability to capitalize on institutional knowledge. In addition, both organizations have not developed detailed transition plans to ensure institutional knowledge can be transferred when employees leave. Each organization indicated they wished a transition plan existed but has not develop anything due to availability of time.</p> <p>The Finance Department lacks sufficient resources to address (1) financial reporting and analysis needs, (2) accounting support for reconciliation of the GL, and (3) grants management. Issues with these areas consistently arise as audit findings and will continue to be a problem until they are addressed.</p> <p><b>Based on identified financial management, accounting and reporting needs, three (3) new FTEs with the City’s Finance Department</b> organization are recommended to address operational deficiencies, policy and procedure hurdles and improve financial reporting and grants management as reference in the Recommended Future Finance Department Organization Chart reflected below.</p>



- A new **Assistant Financial Director** (Budget and Financial Reporting) to oversee and provide direction to staff within this vertical, limit direct reports to the Finance Director, and support reporting and analysis needs
- A new **Accounting Tech** position is recommended to be dedicated to reconciliation and should report directly to the Assistant Finance Director (Accounting)
- A new **Grants Management Officer** to streamline the process of acquiring and managing grants across all Departments

**Figure 35: Recommended Future Finance Department Organization Chart**



Throughout the assessment process, available training opportunities continues to be an identified weakness mentioned by City staff. In particular, understanding and completing the cash reconciliation process was difficult as the City is behind more than two years in the process and the tools and techniques being used are not based on best practices (i.e., reconciling cash outside Munis and using manual steps with MS Excel).

When employees leave the Finance Department and Treasurer’s Office, it is common for positions to remain vacant or take an extended period of time to fill. This adds additional pressure to senior level staff within both organizations as they must assume tactical responsibilities rather than focusing on strategic areas such as addressing Corrective Action Plans outlined in Hopewell’s annual audits.

When qualified candidates are identified for positions through employment websites, there are delays in taking action to interview the candidates which increases the chances they will not be available.

Historically, the Finance Department and Treasurer’s Office have filled positions with staff that lack the requisite skills. A common reason for this problem is a lack of clearly defined roles and responsibilities which (1) increases the chance the right people are not applying for the





position and (2) the interview committee does not have something with which to determine if the person applying for the role, is a good fit.

**Key Recommendation Actions:**

- Obtain position authority and budget from City Council for the three new positions
- Create job descriptions for the three new positions
- Backfill any vacant positions with qualified temporary contractors until positions can be permanently
- Prioritize recruiting and hiring the current seven vacant positions (three from the Finance Department and four from the Treasurer's Office) and treat the cycle-time of the recruitment process with urgency
- Refine roles and responsibilities required for the Finance and Treasury teams related to financial reporting and reconciliation tasks
- Develop job descriptions for the Finance and Treasury positions outlining the required qualifications, skills, and experience necessary for the positions
- Develop a recruitment strategy to attract a pool of highly qualified candidates for the vacant positions
- Develop and implement an effective onboarding process to ensure that new hires are integrated effectively into the organization and are provided with the necessary training and resources to succeed in their roles
- Develop a retention strategy to retain the experienced employees including compensation and benefits packages, professional development opportunities, and a positive work environment
- Implement a performance management process to ensure that personnel are meeting their job responsibilities and achieving their performance goals
- Develop a succession plan to ensure that the organization is prepared for any turnover retirement

**Recommendation 2. *Develop a Service Delivery Model so City financial services are designed, organized, standardized, and delivered to meet the needs of City staff***

The City struggles to follow consistent and best practice applicable Service Delivery Model which increases the chances errors are made. This means processes are not well documented, Departments follow different procedures when executing the same tasks, Departments perform duplicative tasks which could be centralized using a shared services model.

For example, each Department follows different processes and procedures when reconciling cash, which puts increased pressure on the City Treasurer's Office which is already understaffed and doesn't have sufficiently qualified staff. The Special Welfare and the Department of Revenue complete their own reconciliation but send exports to the Treasurer's Office to confirm. However, the Schools, Emergency Management Services (EMS), and the Police Department have asked the Treasurer to reconcile cash for them. To support the

Treasurer's Office, the Finance Department is dedicating staff resources which is an additional duty for an organization already understaffed.

The City should develop a Service Delivery Model and refine their organization structure for both Finance Department and the City Treasurer's Office with clear roles, responsibilities, and resource allocation. Clear roles and responsibilities are crucial for effective functioning for the City.

It will improve accountability of the staff, enhance productivity as it will eliminate ambiguity and confusion, and employee satisfaction by setting realistic expectations for employees. It should also define and standardize process and procedures for how other Departments should interact with the Finance Department and the City Treasurer's Office (cash reconciliation) and consider opportunities to leverage shared services opportunities.

**Key Recommendation Actions:**

- Design a service delivery model in collaboration with the Finance Department, Treasurer's Office and other City Departments that aligns with their needs.
- Implement a pilot program or a small-scale trial of the service delivery model to test its effectiveness.
- Collect data and feedback from staff and stakeholders to evaluate the model's performance and identify areas for improvement.
- Create a detailed plan that outlines the steps, timelines, and resources needed to implement the service delivery model.
- Provide training to staff who will be involved in delivering the services according to the model.
- Implement service delivery model according to the implementation plan.
- Regularly assess the performance of the service delivery model using established monitoring and evaluation processes. Collect data, analyze outcomes, and measure progress towards the defined objectives.

**Recommendation 3. *Establish key department operation performance indicators***

Currently, there are limited to no key performance indicators (KPIs) to monitor finance/treasury operational performance. Without using KPIs to assess their performance, the City Council and other outside stakeholders are challenged to quantify their performance.

A performance measurement system provides both accountability and information to base improvements and is an integral part of the budget process. Once implemented and accepted, performance measures and benchmarking should be used to report the outputs and outcomes of each program and should be related to the mission, goals, and objectives of each Department and program unit.

Well-defined performance-based budget practices indicate that performance measures and benchmarks should be:

- Based on program goals and objectives that tie to the vision and mission of the Department



- Able to measure program outcomes, efficiency, and effectiveness for continuous improvement and sustained excellence
- Able to provide resource allocation comparisons over time
- Verifiable, understandable, and timely
- Consistent throughout the strategic plan, budget, accounting, and reporting systems and, to the extent practical, be consistent over time
- Reported internally and externally
- Monitored and informed decision-making processes
- Designed to motivate department staff and administrators to drive organizational improvement

Performance measures, such as **input, efficiency, workload, output, and effectiveness measure types**, should be presented in basic budget materials, including the operating budget document, and should be available to stakeholders. The following are examples of performance measure types listed above:

- **Input:** A measure of resources invested, used, or spent to deliver the services, products, or activities. This would include (1) Number of dollars expended or (2) Number of total revenues estimated allocated.
- **Outcome or Effectiveness:** A measure of the results of an activity in terms of its intended objective. This would include (1) Number of permits issued or (2) Number of applications processed.
- **Quality:** A measure of how well the service, product or activity was delivered, based on characteristics important to the customers. This would include (1) Percentage of permits processed within five business days or (2) Percentage of invoices issued without errors.
- **Efficiency:** The ratio of output measure to input measure, generally used to assess the productivity associated with a given service or activity. This would include (1) Number of permits issued per FTE, (2) Number of Dollars spent to produce a contract, or (3) Number of days to produce a permit.
- **Cost-Effectiveness:** The ratio of outcome measures to input measures. This includes Percentage of reduction in teen smoking per dollars spent on education.
- **Program Performance:** A performance measure for a specific program. This includes (2) Percentage of 911 calls responded to within X minutes, or (3) Percentage of inmates in GED programs who complete their degree.

These measures should document progress toward achievement of the overall strategic plan of the City Department. Additionally, leaders should review, evaluate, and report program performance on a routine basis. The City should publicize the results of these assessments to keep stakeholders apprised of actual results compared to expectations.

The City should establish organizational, program key program metrics, and monitor the Finance Department and City Treasurer Office performance.



### Key Recommendation Actions:

- Define a vision for performance measurement – how it will be used, what it will achieve, and by what timeframe – and develop objectives that align the process to the City’s strategic plan and goals.
- Create a pilot program of performance measures for the Finance Department and City Treasurer’s Office.
- Document data definitions for performance measures to ensure Departments will use the data consistently.
- Establish a monitoring approach that enhances accountability and transparency with the City departments.
- Share appropriate financial management information with the public through web-based dashboards.
- Conduct regular meetings to review performance data; regular reviews will enable a conversation to discuss what is – and is not – working.
- Identify key operational performance metrics for the major program and services to monitor the effectiveness, efficiency, workload, and output efforts.
- Create data warehouse to track key metrics.
- Create dashboard to report key performance metrics with the City Finance Committee and City Council.
- Deploy business improvements and/or internal control changes to improve financial and cash management, reconciliation, and reporting processes.

## C. Internal Control Framework / Financial Operations

This section reports on various internal operational functions that include the delivery of services and internal controls. The focus areas include:

- Financial Management Policies
- Internal Controls
- Accounting Practices
- Bill to Cash Practices
- Procure to Pay Practices
- Budget Practices (*See Financial Health Assessment*)

Each of these areas will include a Strengths, Hurdles, Opportunities Assessment with final Finding and Recommendations combined under the recommendation area of Financial Operations Recommendations.

### 1. Strengths, Hurdles, Opportunities and Weaknesses Findings

The tables below reflect our assessment of the Strengths, Hurdles, Opportunities, and Weaknesses (SHOW) of the City’s Internal Control Framework / Financial Operations for each of the aforementioned focus areas. These assessments are based on our experience and



government finance knowledge, interviews with employees and key stakeholders, focus groups, as well as a review and analysis of data and information received.

a) **Financial Management Policies**

**Figure 36: SHOW Assessment – Financial Management Policies**

Strengths, Hurdles, Opportunities & Weaknesses Assessment (SHOW) <i>Financial Management Policies</i>
<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>• Dedicated staff to accomplish tasks, even with significant vacancies</li> <li>• Identified the need for enhanced training for employees</li> </ul>
<p><b>Hurdles:</b></p> <ul style="list-style-type: none"> <li>• Lack of clearly defined financial policies and procedures that align with best practices and regulatory requirements</li> <li>• Inconsistent enforcement of existing financial policies and procedures</li> <li>• Inadequate segregation of duties, which increases the risk of fraud and errors</li> <li>• Ineffective controls over financial transactions and documentation, leading to financial misstatements</li> <li>• Inadequate training and development of financial staff</li> <li>• Lack of adequate communication and coordination between financial department and other departments in the City, leading to inefficiencies and errors in financial reporting</li> </ul>
<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Financial/Treasury department have policies that are inconsistently applied, leading to confusion and errors</li> <li>• Do not have processes in place to regularly review and update policies resulting in outdated and ineffective policies</li> <li>• Existing informal policies are not effectively communicated to staff resulting in confusion and non-compliance</li> <li>• Not fully aligned with relevant financial regulations resulting in non-compliance</li> <li>• Not providing sufficient training to staff on policies and procedures leading to non-compliance or ineffective controls</li> <li>• Financial department does not have clear ownership of policies, resulting in confusion over who is responsible for policy implementation, monitoring compliance and annual review/enhancement</li> </ul>
<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>• Create policies to ensure transparency, accountability, and responsible financial management</li> <li>• Establish best practices in financial management and regularly reviewed and update to ensure that they remain relevant and effective</li> <li>• Leverage technology to improve the implementation and monitoring of financial policies, making it easier to track progress and identify areas for improvement</li> </ul>



- Engage in strategic planning efforts to identify long-term goals and priorities, and to develop policies and initiatives that support these objectives

b) Internal Controls

**Figure 37: SHOW Assessment – Internal Controls**

Strengths, Hurdles, Opportunities & Weaknesses Assessment (SHOW) <i>Internal Controls</i>
<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>• Hopewell’s financial system has the potential to establish strong internal system controls, provided it is configured properly</li> </ul>
<p><b>Hurdles:</b></p> <ul style="list-style-type: none"> <li>• Limited resources pose a significant challenge implementing and monitoring internal controls</li> <li>• Employees lack the necessary training to understand and comply with internal controls procedures</li> <li>• Inadequate oversight and management review of financial transactions make it difficult to detect errors or fraud</li> <li>• Insufficient documentation of financial transactions makes it difficult to track and monitor financial activities</li> <li>• Limited resources for preparing for audits or reviews make it difficult to ensure compliance with regulations and best practices</li> </ul>
<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Inadequate segregation of duties in the finance department</li> <li>• Insufficient monitoring of financial transactions</li> <li>• Poor documentation practices causing lack of transparency and accountability</li> <li>• Lack of adequate testing of internal controls</li> <li>• Lack sufficient management review process, leading to lack of oversight of financial transactions</li> <li>• Inadequate monitoring of compliance with financial regulations, resulting in non-compliance and potential penalties</li> <li>• Finance department has weak risk assessment practices, which has led to inadequate identification and mitigation of potential financial risks</li> <li>• Finance department does not provide sufficient training and education to employees on internal control procedures, which has led to non-compliance and ineffective controls</li> </ul>
<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>• Improved transparency, accountability and compliance with all applicable laws, regulations, and accounting standards</li> <li>• Reduce opportunity for fraud, waste, and abuse with appropriate segregation of duties</li> <li>• Enhance monitoring of financial transactions, including regular reconciliations and review of financial records to detect irregularities or potential fraud</li> </ul>



- Implement system access controls, such as multi-factor authentication to prevent unauthorized access to financial systems
- Conduct regular audits of financial records and internal controls to identify areas for improvement and ensure compliance with regulations
- Conduct regular risk assessments to identify potential financial risks and implement appropriate controls to mitigate risks
- Implement fraud prevention measures, such as whistleblower policies and reporting hotlines, to encourage the reporting of potential misconduct
- Implement management review processes where appropriate (e.g., level of spend, type of purchase) to require approval from multiple levels of management, to provide additional oversight of financial transactions
- Enhance compliance monitoring of financial regulations, such as tax and reporting requirement to ensure that the City remains in compliance with all applicable laws
- Adopt a continuous improvement mindset, regularly seeking feedback and implementing changes to internal controls as needed to ensure the ongoing effectiveness of those controls

c) Accounting Practices

**Figure 38: SHOW Assessment – Accounting Practices**

Strengths, Hurdles, Opportunities & Weaknesses Assessment (SHOW) <i>Accounting Practices</i>
<p><b>Strengths:</b></p> <ul style="list-style-type: none"> <li>• Tyler Munis, the City’s financial ERP technology platform and backbone of its financial accounting operations, is a well-regarded financial accounting system that is used by more than 1,000 municipal and state governments</li> </ul>
<p><b>Hurdles:</b></p> <ul style="list-style-type: none"> <li>• The City’s Finance department has been challenged for several years with attracting, hiring, and retaining skilled accounting professionals; currently, there are three vacant full-time positions</li> <li>• The City’s Treasurer is an elected position with a 4-year term and the last two elections brought with them lots of resource turnover in the office; currently there are two vacant full-time positions</li> <li>• Lack of sufficient skilled staff to perform regular monthly financial accounting activities in a timely manner</li> <li>• Finance Department is utilizing temporary contract professionals to perform regular financial operational activities for extended periods due to difficulty in recruiting and retaining skilled full-time employees; the lack of clearly documented policies, processes and procedures creates challenges for on-boarding resources</li> </ul>
<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"> <li>• Broken accounting operational process</li> </ul>



- Lack of internal control framework for accounting and financial reporting processes  
(cited repeatedly in the last four years of financial audits as a material weakness leading to a Qualified Opinion in FY 2015 and Disclaimers of Opinion in FY 2016, FY 2017, and FY 2018)
- Lack of a structured year-end closing process  
(City could not provide basics of a year-end checklist to Assessment data request and large volumes of adjusting journal entries identified during audit process)
- Lack of a month-end closing process during the year  
(leaving enormous amounts of work to be done at year-end and does not identify or correct issues in timely manner)
- Inability to produce financial reports
- Lack of clearly documented policies and procedures for period-end entries such as reserves, accruals, deferrals, allocations of costs and revenues
- Lack of timely and effectively completed bank-to-book reconciliations
- Lack of reconciliations of balance sheet accounts from General Ledger to the sub-ledgers such as Accounts Payable, Accounts Receivable, Inventory, and Fixed Assets
- Unclear whether documented roles and responsibilities exist for all financial roles; Finance department response to data request not received

**Opportunities:**

- Fill the multiple vacant positions in finance and treasury with skilled professionals
- Create a month-end checklist
- Institute monthly financial close process
- Document year-end close process (see example from Kentucky Department of Education of a fiscal year-end processing procedure document: [General Ledger - Year End \(ky.gov\)](#))
- Document formal accounting policies and process flows
- Document Munis desk procedures (see example from City of Burlingame CA of guides by functional area that include process flow diagrams, policies and activity step-by-step instructions with Munis screenshots: [Tyler Munis 'How To' Library of Documents \(burlingameintranet.org\)](#))
- Utilize the Munis PACE training program that is available to the City to the fullest extent
- Redesign chart of accounts to better align with financial statement and analysis needs
- Implement Munis ACFR statement builder so that draft unaudited financial statements can be produced at any time during the year and move the City into a position such that it produces the ACFR itself rather than relying on outside consultancy or Auditor to prepare  
(Note that City already has license for the module but is not using it [ACFR Statement Builder | ERP | Tyler Technologies](#) )



- Optimize use of Munis to support more effective financial processes and internal controls, while improving access to reliable financial data and reports
- Leverage an automation tool to support alignment, assignment, and monitoring of period-end tasks
- Leverage an automation tool to support account reconciliations

d) Bill-to-Cash Practices

The Bill-to-Cash process stream stretches across multiple departments including:

- **Real Estate Assessor’s Office** that is part of the Department of Finance and consists of the Assessor, two real estate appraisers and a part-time admin assistant. The Commonwealth’s biennial reassessment of real property is an input into the billing of real estate taxes that is performed by the Treasurer’s Office.
- **Commissioner of Revenue** is responsible for assessment and administration of all other taxes including personal property taxes (e.g., vehicles, trailers, rec vehicles, boats), business property tax (e.g., vehicles, furniture, fixtures, equipment), business license and fees, food and beverage tax, lodging tax, state income tax, state estimated tax, bank franchise tax, public service tax, real estate tax relief. Personal property is reassessed annually and is key input to the Bill-to-Cash process that is performed by the Treasurer’s office.
- **City Treasurer’s Office** is responsible for billing and collecting real estate and personal property taxes. Treasurer's office also collects business license and business-related taxes, various Court, Sheriff and other departmental fees and invoices, estimated and state income taxes, and animal license fees. The Treasurer is the signatory on all bank accounts. Treasurer’s office has seven full-time and two part-time positions budgeted for FY 2024 of which five are currently staffed.

A&M’s assessment of strengths, hurdles, opportunities, and weaknesses focused on the City Treasurer’s Office piece of the Bill-to-Cash process stream.

**Figure 39: SHOW Assessment – Bill-to-Cash Practices**

Strengths, Hurdles, Opportunities & Weaknesses Assessment (SHOW) <i>Bill-to-Cash Practices</i>	
<b>Strengths:</b>	<ul style="list-style-type: none"> <li>• Some documentation on City Treasurer day to day responsibilities and procedures exists</li> <li>• Improved communicated with Component Units over the past year</li> <li>• One position assigned to address prior year cash and revenue reconciliation efforts</li> </ul>
<b>Hurdles:</b>	<ul style="list-style-type: none"> <li>• While Enterprise Fund departments manage their own billing and monitor their own receivables, the City Treasurer’s Office manages cash deposits and overall consolidated bank account</li> <li>• The process and responsibility for applying cash received for Enterprise Funds is unclear</li> </ul>

- While City Treasurer's Office manages bank accounts, accounting for AP and Payroll sub-ledgers is managed by Finance Department; responsibility for reconciliation of those ZBA accounts appears to be undeclared
- Tyler Munis configured with single Cash account object code while there over 20 separate bank accounts; while Fund code is recorded on cash accounting entries, there is not a clear mapping of [Object Code (natural account) and Fund Code] to each bank account
- Treasurer is an elected position at the City and does not have any requirements for specific depth of accounting or treasury experience

**Weaknesses:**

- Reconciliation of bank accounts to Munis books does not appear to be processed monthly and there have been repeated material weakness findings in the annual audits of financials up through the last issued audit for FY18; assessment interviews reported there are still cash reconciliation issues for FY19 audit that is currently still in process
- Reconciliation of AR sub-ledger to GL AR balance and revenues appears to be absent
- Lack of clearly defined business policy, process, procedures and responsibilities for billing, collections, and cash application
- Bank fees and interest are manually recorded as journal entries based on the bank statements and are supposed to be allocated across Funds by the Funds' proportional share of bank account balances; the responsibility for that task is under the Deputy Treasurer position which is currently vacant
- Treasury procedures reviewed (in the form of rough notes) appear to indicate that monitoring, determination and calculation of late payment penalties and interest charges is manual process that is intended to be monitored and applied monthly
- Assessment interview with Commissioner of Revenue indicated that Munis is capable of calculating penalties and interest in automated manner
- Assessment interview with Treasurer office walked through key activities of staff and this was not mentioned
- Treasury procedures reviewed appear to indicate that at time tax receivable payments are received, with Treasury staff manually determining whether late payment should have been made or not and updates Munis receivable after manually calculating penalty and interest
- Process for actively managing cash balances to optimize interest appears to be limited (based on assessment interviews and review of sampling of bank statements)
- Management of tracking monthly bank statements appears to be lacking (based on review of bank statements provided for last 12 months where A&M observed number of bank accounts with statements varied from month-to-month and categorization of month occasionally incorrect)
- Process documentation reviewed indicates a manual process for tracking and reporting investments to the City Investment Committee
- Coordination and interaction between Treasurer's office and Schools Component Finance Department is reported to be very limited



- Social Security number is used to identify customers for personal property tax receivables
- Assessment interviews indicated that the use of SS# within Munis originates from the personal property interface that the Commonwealth of Virginia's DMV system sends Munis
- Processing of that file-based monthly interface is done by the Commissioner of Revenue's office and is a manual file download from the State DMV system and upload to the City's Tyler system.
- Personal property tax bills are sent out in November deemed levied January 1 and due February 15; there was large percent of this year's personal property tax receivables that were overdue at the end of February – 45%
- The Munis AR Aging report as of February 28, 2023, reflects that there is \$5.6mm overdue in personal property taxes with \$3mm of that having a Bill Due Date of November 01, 2023; it appears that nearly half of the over-due personal property taxes are from prior years
- Total overdue for all AR (including general billing of business taxes, business licenses and real estate taxes) as of end of February is showing in Munis as \$10.6mm
- It appears the Bill Due Dates being used for the AR Aging report are actually the date bill was invoiced rather than the Due Date and should be examined to confirm and correct so that Munis aging reports better reflect over-due amounts and aging buckets
- Despite that Munis Due Date issue, the personal property taxes billed in November would be due for payment February 15; thus, the fact that the AR Aging as of end of February shows 45% as over-due is unexpected and should be reviewed further
- It may be that some payments have been made and not yet applied within Munis against the AR personal property tax receivable items; raises the question on how timely cash is being applied to receivables

**Opportunities:**

- Virginia Treasurer's Association offers formal multi-day training events several times a year, as well as various online guidance documents; leverage this to build up knowledge of Treasury management best practices within the City's Treasury office
  - [Programs | VA Treasurers Assoc](#)
  - [Calendar of events and courses](#) –  
[Certification Program Handbook for Treasurers](#)
  - [Certification Program Handbook for Deputy Treasurers](#)
- City has started to standardize credit card processing companies used for receiving payments; continue standardizing to simplify reconciliations

e) [Procure-to-Pay Practices](#)

The Procure-to-Pay process stream at the City of Hopewell is managed by the Finance Department with separation of Procurement versus Accounts Payable duties. The City has a



centralized Procurement Manager, two Accounts Payable technicians, and an (acting) Assistant Finance Director who focusses majority of her time on AP approvals and process management.

Additionally, there is a separate Procurement Manager within the Hopewell Renewal Water Treatment Facility (HRWTF). City wide departments and Children's Service Agency Component Unit are end-users of Munis Purchasing and Accounts Payable modules to support the Procure-to-Pay process stream. Hopewell Public Schools utilize their own separate Procurement and AP systems and with no direct data exchange or interface to the City's financial system.

The City requires a Purchase Order (PO) for spend on services and goods. FY 2022 Procure-to-Payment metrics for standard PO->Receipt->Invoice purchases:

- 1,100 suppliers
- 6,200 PO's
- 16,000 AP invoices against PO's
- \$41 million of spend

An additional 1,400 AP invoices (8% of total invoices) across 450 suppliers for \$14 million in total were processed without PO's. Most of these NON-PO invoices were for debt service payments, employee/retiree benefits, Manufacturer M&T rebates.

Entry of PO's is a combination of central finance Procurement function and distributed department function. For purchases <\$10,000, most department heads have a designated administrative person create POs for them in Munis. The Department head then approves the PO in the system. For purchases <\$10,000, the approval ends there. The department is responsible for conducting their own due diligence on those smaller purchases. Departments are supposed to find out what is needed, get a quote, verify item with the requestor and then place the order.

Any purchase <\$10,000 is considered an expensed item. Purchases >= \$10,000 are supposed to go through centralized procurement process whereby request is sent from department to Finance Procurement Manager (via email or phone; not in Munis system). Procurement Manager evaluates the PO amount to determine which conditional workflow path should be followed:

1. POs between \$10,000 and \$29,999.99: Three quotes required; PO requires approval by Department Head Designee and Finance Procurement Manager.
2. POs between \$30,000 and \$54,999.99: Four quotes required; PO requires approval by Department Head Designee and Finance Procurement Manager
3. PO's >= \$55,000: Procurement bid process followed; PO requires approval by Department Head Designee, Finance Procurement Manager and City Manager

Any PO >= \$10,000 is reviewed by Procurement Manager to determine whether purchase should be considered a capital asset and if so, marked accordingly.

While there is a separate Procurement Manager for HRWTF, the fund follows same procurement policies, processes, and procedures as the rest of the City.



**Figure 40: SHOW Assessment – Procure-to-Pay Practices**

<b>Strengths, Hurdles, Opportunities &amp; Weaknesses Assessment (SHOW) Procure-to-Pay Practices</b>
<p><b>Strengths:</b></p> <ul style="list-style-type: none"><li>• City performs a three-way match process (AP invoice against PO and Receipt) for most of the external procurement spend; it is logical that the remaining spend not require POs for those vendors and invoices that are driven off specific calculations and can be reconciled to debt service, benefit, and rebate schedules</li><li>• Commitment control / encumbrance accounting is in use within Munis ERP and City staff indicate provides tight control that ensures PO's and AP invoices are not processed if they exceed budget</li><li>• City has policy in place to control fiscal year-end creation of PO's: in general, last day to issue a PO for current fiscal year is May 31; only emergency POs for current fiscal year will be issued in June and they must be cleared by the Finance Procurement Manager</li><li>• Policy exists to cancel PO's and close out unneeded remaining PO amounts at end of year</li><li>• City appears to process AP payments relatively promptly based on combination of interview feedback and reviewing Munis AP Aging reports<ul style="list-style-type: none"><li>○ April 20, 2023, AP Aging report reflects only 12 vendors with outstanding AP balances; one vendor with balance aged 60+ days (note that invoice wasn't on the March 31 AP Aging report so inferring the invoice was recently entered into Munis but has old invoice date)</li><li>○ March 31, 2023, AP Aging report reflects 174 vendors with outstanding AP balances: 19 vendors with balances for invoices more than 60 days old</li></ul></li><li>• City has controls in place around location and access to check stock, check printer and signature card; all are secured in Treasury location</li><li>• City uses Positive Pay programs with bank for checks issued</li><li>• City uses zero-balance accounts (ZBA) for AP and payroll disbursements</li></ul>
<p><b>Hurdles:</b></p> <ul style="list-style-type: none"><li>• Due to large volume of turnover in department leadership over recent years, there are struggles with understanding the procurement process, procedures and how spending is controlled against budget</li><li>• In the first two months of each fiscal year, Accounts Payable separates invoices by fiscal year; AP relies on the departments having correctly categorized and written "Old Year" or "New Year" on the invoices prior to department sending invoice to AP</li><li>• AP Manager reports organization is resistant to change in regard to invoice receiving process</li></ul>
<p><b>Weaknesses:</b></p> <ul style="list-style-type: none"><li>• There is uncertainty on who is responsible for reconciling AP disbursement bank account to AP Munis subledger; reconciliation of those bank accounts does not appear to be part of the cash reconciliation process (based on assessment interviews)</li></ul>





- Lack of centralized AP invoice receipt process opens up risk for misplaced or lost invoices that don't make it into Munis system for approval and payment in timely manner (e.g., invoice entered in April with old invoice date noted above) and understates current view of expenses and payables to date
- Majority of AP invoices received on paper
  - Most invoices are sent by vendor directly to departments, reviewed and account coding written on paper by department, then routed to AP via interoffice mail for entry into Munis against PO and receipt and payment processing
- AP positive pay and ACH file creation process and transmission of file to bank is lacking in controls
- Majority of dollars paid through AP are sent out in paper checks: 80%
- Munis user procedures for procurement are not well documented nor effectively communicated out to departments
- Procurement and AP procedures both within Munis and outside manual steps are not well documented and pose risk of slow-down in processing if Finance resources are unexpectedly out of office
- Given small size of Finance Procurement and Payables team, there is limited segregation of duties as far as who can create/change a vendor, who can create/approve POs, and who can create/approve AP invoices
- While interviews with Finance department indicated that requests to create a PO at the time an invoice is received is minimal, our review of January 2023 invoice transactions found that 73% of invoices had Invoice Date less than the PO Creation Date.
- Lack of standardized supplier and contract management
- Need identification is informal and outside the ERP or other supporting system; no requisitions are currently done in Munis
- Documents pertaining to employee expense reimbursement and corporate credit card that were provided to the Assessment Team for review were lacking in defining the policy, process, and internal controls
- Asset Procurement and Capitalization policy and process is not clearly documented or understood by finance department employees; note A&M was not able to interview the temp contractor who is currently handling fixed assets
- No process to validate OFAC requirements around whether a vendor is a specially designated national
- The City had a program from July 1, 2011, until June 30, 2015, that provided rebate of Machinery & Tools Tax for certain businesses located in the Enterprise Zone  
[Machinery & Tools Tax | Hopewell, VA \(hopewellva.gov\)](https://www.hopewellva.gov/Assets/Attachments/2019-07-16%20Machinery%20&%20Tools%20Tax%20Rebate%20Program%20Final%20Report.pdf)  
There are still payments to several businesses totaling approximately \$350,000 per year coded to the "Mach & Tool Tax Refunds" account in the last two years reviewed (FY22 and FY21)

**Opportunities:**





- Centralize AP invoice intake to promote timely and efficient review of invoice payments
- Use procurement module for purchase requisitions to verify budget and early commitment control
- Strengthen Procurement sub-processes around supplier and contract management
- Strengthen Procurement approach around strategic sourcing
- All supplier contracts are done on paper currently; consider using Munis contract module
- Employee expense management is on paper currently; consider using Munis Employee Expense Reimbursement
- Interviews indicated that Fixed Asset module of Munis is not being used fully; assess whether integration from AP to FA is configured and process defined and enacted
- Tighten down visibility into procurement that goes through bids by using Munis Bid Management functionality
- Institute AP controls involving expense trend analysis (by account code, by vendor over time)
- Institute control to monitor changes to vendor master

## 2. Findings & Recommendations

The information and table below summarize A&M's observations as it relates to Organizational Assessment and recommendations for improvement. A&M has identified six improvement strategy recommendations in the Assessment of the City's financial audit reporting and internal control processes. The recommendations include:

**Recommendation 1:** *Establish financial management policies and procedures based on best practices*

**Recommendation 2:** *Establish internal control framework*

**Recommendation 3:** *Centralize cash management collections and reconciliation processes*

**Recommendation 4:** *Centralize AP invoice intake process*

**Recommendation 5:** *Assess the City's current use of Munis Fixed Asset module and fit/gap against best practice*

**Recommendation 6:** *Leverage automation tools to support account reconciliations and period-end tasks*

The below section of this report will provide a summary of the findings for each recommendation and identify key actions needed. The Stabilization and Turnaround Plan provides detailed guidelines, tasks, and timelines for the completion of these recommendations and strategic actions.

**Figure 41: Financial Operations Findings & Recommendations**

**Financial Operations Findings & Recommendations**

**Recommendation 1. *Establish financial management policies and procedures based on best practices***

The City needs to have adopted financial management policies and procedures. Policies and procedures promote consistency across the City, which builds and protects the open communication, accountability and integrity of financial organization and its outcomes.

***What is the Difference Between a Policy vs. Procedure?***

What is a Policy?	What is a Procedure?
<ul style="list-style-type: none"> <li>• Set of general guidelines that outline the City’s plan for tackling certain issues (e.g., <i>fund balance and reserves, procurement thresholds, budget principles, etc.</i>)</li> <li>• Adopted policies establish the foundation for a healthy financial management environment</li> <li>• Policies influence culture, communicate expectations to employees, and guide day-to-day operations</li> <li>• Policies set some parameters for decision-making and show <b>“why” behind an action”</b></li> <li>• Good policy is more than just a list of rules - it should show employees the purpose behind their jobs and provide ways to measure success</li> </ul>	<ul style="list-style-type: none"> <li>• Documented step-by-step, detailed instructions for specific routine tasks</li> <li>• Description of the operational processes necessary to implement policy or the <b>“how”</b></li> <li>• Checklists, process steps and workflows to follow when completing a business process or action</li> <li>• Defines roles and responsibilities for employees to know what to do and keeps your organization running smoothly, even when key employees are out of the office</li> <li>• A properly developed procedure ensures that policy is implemented efficiently and applied consistently</li> </ul>

***The City lacks comprehensive documented financial policies and procedures.***

Documented policies and procedures are limited and do not provide clear guidance for completing cash reconciliation and cash management. The City should establish clear policies and procedures to govern the financial management and accountability of its financial operations.

The competition for skilled financial personnel is very intense. Resources desire and expect to work in an environment that is high performing and follows leading practices. Establishing financial policies is foundational to good financial management. Documented formal policies promote long-term stability of an institution’s approach to financial management that can survive turnover of staff. Rating agencies look favorably at clearly defined policies.

Secondly, the **City’s resources rely on their institutional knowledge of processes and procedures when going about their daily operations**. There is a lack of documented processes and procedures and lack of tools in place to guide workflow. This hinders effective on-boarding of new resources which occurs regularly at the City due to unfilled vacancies, frequent turnover of staff after election cycles, and employee retention struggles. It further presents challenges to consistent financial operational processing by established City staff as steps are sometimes inadvertently skipped or not performed correctly.

The City should establish financial management policies and procedures based on best practice. City Council approved financial management policies and the accompanying financial process procedures should be communicated to not only those performing the operations, but also to the stakeholders/customers of finance.

A&M also found that the City currently targets a General Fund Unassigned or Rainy-Day Fund Balance of 10% of the projected budget expenditures. While the ACFR references the City’s policy of 10%, A&M could not find where this policy was formally adopted by Council and was not provided to A&M in the request for all financial management policies and procedures.

The below figure illustrates the framework for the development and implementation of financial management policies. The City Manager should partner with Department Heads to identify the policies that need to be developed and establish a timeline for ensuring that all required policies are drafted, reviewed, and adopted. Appendix D has illustrative example of local government financial management policies for the City to consider as best practices in the development of a financial policy framework.

**Figure 42: Financial Policy Framework**



### Key Recommendation Actions:

- Confirm master listing of financial management, accounting, cash management and reporting policies. Based on best recommended practices from GFOA, the City should have **at the minimum**, the following adopted policies:<sup>6</sup>
  - **General Fund Reserves.** Policies governing the amount of resources to be held in reserve and conditions under which reserves can be used
  - **Reserves in Other Funds.** Policies for other funds (especially enterprise funds) that serve a similar purpose to general fund reserve policies
  - **Grants.** Policies that deal with the administration and grants process
  - **Long Term Debt.** Policies that govern the use of government debt, including permissible debt instruments, conditions under which debt may be used, allowable levels of debt, and compliance with continuing disclosure requirements
  - **Investment.** Policies that provide guidance on the investment of public funds, including permissible investment instruments, standards of care for invested funds, and the role of staff and professional advisors in the investment program.
  - **Economic Development.** Policies that address a local government's use of subsidies or other incentives to encourage private development
  - **Accounting and Financial Reporting.** Policies that establish and guide the use of an audit committee, endorse key accounting principles, and that ensure external audits are properly performed
  - **Risk Management and Internal Controls.** Policies that address traditional views of risk management and internal control, as well as more modern concepts of "enterprise risk management
  - **Procurement.** Policies that are most essential for adoption by the governing board to encourage efficient, effective, and fair public procurement
  - **Long-term Financial Planning.** A policy that commits the organization to taking a long-term approach to financial health
  - **Structurally Balanced Budget.** Policies that offer a distinction between satisfying the statutory definition and achieving a true structurally balanced budget
  - **Capital.** Policies that cover the lifecycle of capital assets, including capital improvement planning, capital budgeting, project management, and asset maintenance
  - **Revenues.** Policy guidance through the designing of efficient and effective revenue systems that guarantee the generation of adequate public resources to meet expenditure obligations
  - **Expenditures.** Policies addressing a range of issues around how the money is expended, including personnel, outsourcing, and funding long-term liabilities
  - **Operating Budget.** Policies that describe essential features of the budget development process and form, as well as principles that guide budgetary decision making

<sup>6</sup> <https://www.gfoa.org/materials/adopting-financial-policies>

- Create standardized template to develop new management policies and procedures based on best practices
- Develop an implementation plan for new policies and procedures including communication, training, and timelines
- Communicate the new policies and procedures to all staff members involved in financial management, including those outside the finance department
- Provide training to all relevant staff members on the new policies and procedures to ensure they have a comprehensive understanding and can apply them effectively
- Conduct testing on the new policies and procedures to ensure they are working as intended
- Establish a monitoring process to ensure that the new policies and procedures are being followed effectively and any issues are addressed promptly
- Review the policies and procedures regularly to ensure they remain up to date and aligned with best practices and make necessary adjustment if required
- Submit policies to City Council Finance Committee for preliminary review and to City Council for final approval
- Annually review the adopted Financial Management Policies as part of the Annual Budget submission process
- Establish annual and new employee onboarding training for all employees with financial responsibilities on policies
- Require certification from Department heads and staff responsible for financial management operations to agree to compliance of adopted policies

### **Recommendation 2. *Establish internal control framework***

A robust internal control framework will help the City avoid financial loss or mismanagement and promote transparency and accountability in their financial operations. The City currently lacks an internal control framework. The City has been repeatedly cited in annual and single audits for lack of internal controls. Our assessment discovery finds this continues to be an ongoing issue.

***There is no internal process that annually reviews internal controls and/or monitors financial risk within City's financial and cash management organization.***

The City should establish a robust internal control framework that includes environment controls, activity controls such as system workflows for approvals, segregation of duties, management of open accounting periods and regular review and reconciliation of financial information. All employees with financial responsibilities should receive training on internal controls. There should be a regular monitoring process that includes periodic review of the internal control framework, as well as monitoring compliance with established policies and procedures.

#### **Key Recommendation Actions:**

- Implement the following components of a strong internal control framework:
  1. **Control Environment:** Establish and promote a culture of ethical behavior, with a tone at the top that emphasizes the importance of effective internal controls. This

includes creating a governance structure that clearly defines roles and responsibilities and ensures accountability, transparency, and integrity. The City should develop and communicate a code of conduct, best practice policies and procedures, and ensure regular training for employees.

2. **Segregation of Duties:** Establish a clear segregation of duties policy that includes defined roles and responsibilities for employees involved in financial transactions, system workflows for approvals, and periodic review and reconciliation of financial information. The policy should also include a monitoring process to ensure compliance with established policies and procedures, as well as training for all employees involved in financial transactions on the importance of segregation of duties and proper implementation of the policy.
  3. **Risk Assessment:** Conduct regular risk assessments to identify and evaluate risks that could impact the City's financial operations, both internal and external. Prioritize risks and establish mitigation strategies to address them. The City should update the risk assessment regularly to ensure new risks are identified and addressed.
  4. **Control Activities:** Implement control activities to mitigate identified risks. This includes appropriate authorization procedures for financial transactions, segregation of duties to prevent conflicts of interest, maintaining accurate and complete financial records, and regular review and reconciliation of financial information.
  5. **Information and Communication:** Establish systems and processes for collecting, analyzing, and disseminating information related to financial operations. This includes financial reporting, performance metrics, and risk management reports. It also involves establishing clear reporting lines, ensuring that financial information is accurate/complete, and providing training and guidance to employees.
  6. **Monitoring:** Implement ongoing monitoring to ensure that internal controls are operating effectively. This includes periodic audits, reviews, and self-assessments, as well as monitoring compliance with established policies and procedures. Leverage Munis to assist in implementing system-based controls to support policy compliance.
  7. **Reporting:** The City needs to establish an effective reporting system that allows employees to report suspected fraud, errors, or noncompliance without fear of retaliation. The City also needs to incorporate a process for investigating and addressing reported issues.
- Implementing these key components of an internal control framework the City can improve its financial management practices, reduce the risk of financial loss or mismanagement, and ensure compliance with laws and regulations.

### **Recommendation 3. Centralize cash management collection and reconciliation processes**

A&M found there were numerous cash collection points of sale across the City Departments. For example, each Department follows different roles, responsibilities and procedures for handling cash across the organization. Audits have cited findings that City staff lack appropriate skill, knowledge, and experience in certain financial functional areas such as Cash, Investments and Accounting.



There are skill gaps that exist across the City in best practices for cash reconciliation analyses, as well as general cash management. There is a need for enhanced reconciliation training, across all accounts including cash, to all City staff with accounting responsibilities.

***There are several offline records maintained to perform cash reconciliations and record financial transactions that are not fully reflected within the Munis system.***

Implement processes to make sure cash, as well as other key accounts, accurately reflects all transaction activity in Munis and establish controls and monitoring procedures to maintain accurate balances in the system.

There are several offline records maintained to perform cash reconciliations and record financial transactions that are not fully reflected within the Munis system. The City should implement processes to make sure cash, as well as other key accounts, accurately reflects all transaction activity in Munis and establish controls and monitoring of procedures to maintain accurate balances in the system.

**Key Recommendation Actions:**

- Participate in knowledge-building and training programs through the Virginia Association of Treasurers and continuing education opportunities
- Establish better communication and collaboration between City Treasurer's Office and City and School Finance Departments
- Transition all cash receipting and collections through centralized cash management practices and use of Munis cash modules
- Establish monthly financial reporting responsibilities between the City Treasurer and the Finance Department on the (1) Status of revenue and expenses (2) Reporting of investments and (3) Status of Account Receivables

**Recommendation 4. Centralize AP invoice intake and fixed asset accounting**

AP invoice intake process is not standardized. Some invoices are sent directly to individual departments, others are sent to central AP department. There are delays in getting invoices booked into Munis as a result of this distributed intake process and many invoices are still on paper and being routed around via inter-office mail. It appears many invoices are arriving without having had a purchase order created in advance. In an attempt to follow procurement rules, many POs appear to have been created and received against after arrival of the invoice (based on Assessment review of January 2023 invoices and PO's). The City also relies heavily on check processing rather than electronic payments.

The City should create a Centralize Accounts Payable intake to flow through Finance Department and get scanned and entered into Munis promptly, then routed for department approval electronically. Evaluate the need for routing invoices that have been three-way matched.

Munis active fixed asset report lists over 300 active assets with net book value of \$114 million; however, the latest acquisition date is from FY 2021. It appears the City was using Fixed Asset module at one point but has since discontinued its use. The City is not designating PO lines or





AP invoice lines as assets and capitalizing at time of invoice posting. Current practice is to record new assets into the General Ledger at year end versus as they are acquired during the fiscal year.

**Key Recommendation Actions:**

- Ensure invoices are routed directly to Accounts Payable for prompt entry into Munis and use the system to handle workflow approval routings
- Meet with department heads to address the decentralized nature of current business practice and its current internal weaknesses, such as an incomplete inventory of City invoices and untimely accounting of expenses
- Quantify the transfer of time / effort from department specialists to Accounts Payable
- Communicate to suppliers that they should send invoices to the AP department and address with reference to PO#
- Update PO forms to ensure AP department and address are designated as the “bill-to” address
- Develop a policy to ensure that purchase orders are created in advance of the receipt of goods or services. This will help the City follow procurement rules and avoid delays in payment processing
- Reject invoices that do not reference a PO
- Manage Suppliers to electronically submit invoices
- Flag capital assets during the procurement process
- Flag capital assets at the time the PO is created or when AP invoice is posted
- Train AP group to evaluate and flag invoices based on capitalization policy
- Evaluate whether Munis has features that might be enabled to support identification of assets (e.g., based on monetary threshold and item type)
- Provide appropriate training to implement the adopted procedures
- Develop a system for tracking invoice processing times to identify areas for improvement and ensure invoices are processed in a timely manner
- Regularly review and update AP policies and procedures to ensure they remain effective and efficient in meeting the City’s needs
- Deploy current uses of Munis Fixed Asset module to record fixed assets

**Recommendation 5. *Asses the City’s current use of Munis Fixed Asset module and fit/gap against best practice***

Munis active fixed asset report lists over 300 active assets with net book value of \$114 million; however, the latest acquisition date is from FY 2021. It appears the City was using Fixed Asset module at one point but has since discontinued its use. Munis account inquiry on asset accounts shows flat balances since FY 2020 implying that asset additions are no longer being tracked in Munis:



**Figure 43: Munis Account Analysis on Asset Accounts**

As shown below, many of the *asset account balances have not changed for the analysis period of FY 2018 to FY 2023 year to date*. This is an area for concern in that asset values within the accounting system should net changes in asset values from year to year. This is an area that will need to be evaluated at the prior year financial audits are being completed.

FUND	OBJECT	ACCT DESCRIPTION	2023 ACTUAL	2022 ACTUAL	2021 ACTUAL	2020 ACTUAL	2019 ACTUAL	2018 ACTUAL
012	160500	MACHINERY & EQUIPMENT	-	-	-	-	-	-
012	160599	MACHINERY & EQUIPMENT DEPR	-	-	-	-	-	-
015	160500	MACHINERY & EQUIPMENT	-	-	-	-	-	-
015	160599	MACHINERY & EQUIPMENT DEPR	-	-	-	-	-	-
030	160500	MACHINERY & EQUIPMENT	51,075	51,075	51,075	51,075	51,075	51,075
030	160599	MACHINERY & EQUIPMENT DEPR	(51,074)	(51,074)	(51,074)	(51,074)	(47,767)	(43,798)
032	160100	LAND	216,026	216,026	216,026	216,026	216,026	216,026
032	160200	BUILDING AND SYSTEMS	5,097,556	5,097,556	5,097,556	5,097,556	5,097,556	5,097,556
032	160299	BUILDING AND SYSTEMS DEPR	(4,819,604)	(4,819,604)	(4,819,604)	(4,786,721)	(4,753,838)	(4,720,205)
032	160300	INFRASTRUCTURE	91,088,249	91,088,249	91,088,249	86,754,324	86,754,324	84,464,434
032	160399	INFRASTRUCTURE DEPRECIATION	(14,308,875)	(14,308,875)	(14,308,875)	(11,506,796)	(8,775,430)	(6,088,988)
032	160400	SEWER MAIN IMPROVEMENTS	-	-	-	-	-	-
032	160500	MACHINERY & EQUIPMENT	54,743,869	54,743,869	54,743,869	54,659,167	54,659,167	54,478,491
032	160599	MACHINERY & EQUIPMENT DEPR	(54,403,814)	(54,403,814)	(54,403,814)	(54,263,621)	(54,121,400)	(53,992,308)
032	160900	CONSTRUCTION IN PROGRESS	(67,140,476)	(67,140,476)	(67,140,476)	(67,625,101)	(69,726,717)	2,417,334
035	160500	MACHINERY & EQUIPMENT	-	-	-	-	-	-
035	160599	MACHINERY & EQUIPMENT DEPR	-	-	-	-	-	-
038	160500	MACHINERY & EQUIPMENT	-	-	-	-	-	-
038	160599	MACHINERY & EQUIPMENT DEPR	-	-	-	-	-	-
041	160100	LAND	188,820	188,820	188,820	97,920	97,920	97,920
041	160200	BUILDING AND SYSTEMS	501,878	501,878	501,878	501,878	501,878	501,878
041	160299	BUILDING AND SYSTEMS DEPR	(501,878)	(501,878)	(501,878)	(501,878)	(501,878)	(501,878)
041	160300	INFRASTRUCTURE	42,015,971	42,015,971	42,015,971	41,464,410	41,069,463	39,060,636
041	160399	INFRASTRUCTURE DEPRECIATION	(16,364,744)	(16,364,744)	(16,364,744)	(14,679,379)	(13,008,771)	(11,420,028)

A&M reviewed Depreciation Expense Account 508110 from Munis which showed no activity in FY 2022 or FY 2023:

**Figure 44: Munis Depreciation Expense Account Activity**

FUND	OBJECT	ACCT DESCRIPTION	CY_MEMO_BAL	LY_MEMO_BAL	2021 ACTUAL	2020 ACTUAL	2019 ACTUAL	2018 ACTUAL
012	508110	DEPRECIATION	0.00	0.00	0.00	0.00	0.00	0.00
015	508110	DEPRECIATION	0.00	0.00	0.00	0.00	0.00	0.00
032	508110	DEPRECIATION	0.00	0.00	2,975,154.64	2,906,470.41	2,849,165.97	2,006,418.79
035	508110	DEPRECIATION	0.00	0.00	0.00	0.00	0.00	0.00
038	508110	DEPRECIATION	0.00	0.00	0.00	0.00	0.00	0.00
041	508110	DEPRECIATION	0.00	0.00	1,760,843.31	1,737,683.88	1,658,069.64	1,601,303.08
049	508110	DEPRECIATION	0.00	0.00	212,663.83	203,700.07	59,153.72	41,124.42
052	508110	DEPRECIATION	0.00	0.00	0.00	0.00	0.00	0.00
072	508110	DEPRECIATION	0.00	0.00	3,578,359.27	3,560,935.28	3,250,575.42	2,991,207.74
012	508110	DEPRECIATION	0.00	0.00	0.00	0.00	0.00	0.00
030	508110	DEPRECIATION	0.00	0.00	0.00	3,307.53	3,969.04	3,969.04
030	508110	DEPRECIATION	0.00	0.00	0.00	0.00	0.00	0.00
032	508110	DEPRECIATION	0.00	0.00	0.00	0.00	0.00	0.00
041	508110	DEPRECIATION	0.00	0.00	0.00	0.00	0.00	0.00
012	508110	DEPRECIATION	0.00	0.00	0.00	0.00	0.00	0.00
012	508110	DEPRECIATION	0.00	0.00	0.00	0.00	0.00	0.00

As the same stated above, *many of the Depreciation Account balances have remained constant for the FY 2018 to FY 2021 planning periods reviewed*. In comparing the two analysis shown in Figure 43. and Figure 44. *we would expected to have seen changes in the*

*various account balances, assets and depreciation accounts were being properly reconciled.*

**Key Recommendation Actions:**

- Create fact base of current process and procedures for recording fixed assets
- Review current Munis system functionality for recording of assets (Fit-Gap Analysis)
- Design and implement enhanced fixed asset managed process

**Recommendation 6. *Leverage automation tools to support account reconciliations and period-end tasks***

There are excellent point solution system tools such as Floqast, Blackline, Adra for supporting period-end close that are often used by large organizations. Munis has some effective functionality built into the product for tracking tasks and a “Month End Manager” work center for monitoring unposted journals, unbalanced journals, unbalanced funds. Regardless of whether a simple list in Excel is used or a more robust automation tool, a checklist should clearly identify order of tasks, person(s) executing task, person(s) responsible for review, person(s) responsible for sign-off, and completion date/status.

The City should establish process and owners of Account Reconciliations of balance sheet accounts such as Accounts Payable, Accounts Receivable, Inventory, Fixed Assets and Due From Other Governments and conduct the account reconciliations at the end of each month.

Automation tools can significantly improve the efficiency and accuracy of critical financial processes, reduce the risk of errors, delays, and discrepancies. These tools can be customized to automate various tasks, such as data collection and analysis, exception identification, and report generation, freeing up valuable time for finance personnel to focus on more strategic activities. By leveraging automation tools, the City can improve its financial operations, reduce the risk of errors, and enhance the accuracy and reliability of financial reporting.

**Key Recommendation Actions:**

- Validate period-end reconciliation, reporting and accounting tasks and responsibilities
- Assess Munis system functionally for period-end (month and annual) closing processes
- Implement new automation support tools for reconciliation process

**D. ERP Implementation**

City of Hopewell implemented Munis core functionality in 2014 with the Cash Management and Fixed Assets modules were deployed in 2016.



## 1. Strengths, Hurdles, Opportunities & Weaknesses Assessment

The table below reflects our assessment of the Strengths, Hurdles, Opportunities, and Weaknesses (SHOW) of the City's ERP Implementation. This independent assessment is based on our experience and government finance knowledge, interviews with employees and key stakeholders, a Munis representative, focus groups, as well as a review and analysis of data and information received.

**Figure 45: SHOW Assessment – ERP Implementation**

<b>Strengths, Hurdles, Opportunities &amp; Weaknesses Assessment (SHOW) ERP Implementation</b>
<b>Strengths:</b> <ul style="list-style-type: none"><li>• Munis is one of the most used ERP systems in the public sector and is a stable company that has long history back to 1966 and has been focused on public sector since 1998</li><li>• Tyler has an excellent client retention rate of 98%</li><li>• Assessment interviews indicated there have been no issues with system downtime in last three years and there has never been an instance where the City had to restore Munis from a backup</li><li>• The City has separate instances of Munis for production, test, and training</li></ul>
<b>Hurdles:</b> <ul style="list-style-type: none"><li>• Lack of user procedures and training</li><li>• Training that is offered through the annual PACE program is not being fully utilized or embraced by users throughout the broad organization</li><li>• Help tickets logged with Munis Support sometimes take weeks for a response</li><li>• The City uses Muni's legacy on-premises infrastructure option<ul style="list-style-type: none"><li>○ On-premises Munis infrastructure requires the City to purchase, administer and maintain hardware, virtual server technology, operation systems, Microsoft SQL Server database and Munis application</li><li>○ Munis requires on-premise clients to conduct major upgrade at least once per year</li></ul></li></ul>
<b>Weaknesses:</b> <ul style="list-style-type: none"><li>• The City still has lingering issues from the deployment of Munis eight years ago</li><li>• Issues with data conversion of budgets and historical financials stemming from chart of account changes and mappings from legacy system continue to cause frustration for departmental users</li><li>• Implementation program lacked effective testing, change management, communications, and training</li><li>• Despite purchasing financial reporting builder tool, financial reports were never built out in Munis for the City; the City is limited to using standard Munis reports such as trial balance, Flexible Period Report, AR Aging, AP Aging</li></ul>

- Despite running Munis on-premises which opens option for use of robust reporting tools such as SQL Server Reporting Services which would allow creation of custom complex interactive reports and dashboards, the City never developed any custom reports
- Despite past audit findings citing lack of segregation of duties and system based logical access controls, it appears based on review of user-to-role mapping report that there are still some possible segregation of duties issues
  - Finance Department user with access to nearly every functional area City owns of Munis including Payroll, Purchasing, Accounts Payable, Capital Assets, Contract Management, General Billing, Accounts Receivables, Budgeting, General Ledger
  - IT users with access to most business user areas
- Lack of systems architecture diagrams, data flows, documented backup/disaster recover policy and procedures
- Major upgrade of Munis required once per year
- Significant increase in volume of Munis help tickets in two months following each upgrade; possibly indicating that user testing of upgrade is lacking
- Lack of ownership of testing of major upgrade: IT limited to just letting business users know the Test instance is available for their use; business users have no “point person” and indicated during interviews that testing is very low priority and often doesn’t get executed
- Weaknesses with Munis support of accounting operations
  - Lack of Munis procedure level user documentation
  - Unclear policy on control of monthly open periods
  - Unawareness that journals can be entered in Period 13 for any prior year (resulting in the City tracking adjusting journals identified during FY18 and FY19 audits in spreadsheets rather than processing entries in Munis)
  - Ongoing issues with converted data from Munis implementation (Departments expressed frustration on how data was converted to Tyler during initial implementation and have some elements still yet to be addressed such as alignment of account object codes in budgets and ensuing actual expenses)
- Assessment interviews indicated that the City is not fully using Munis Fixed Asset functionality; no details on this as person handling fixed assets was unavailable for interview

### **Opportunities**

- Start using the Annual Comprehensive Financial Report (ACFR) Statement Builder module to create City custom financial reports within Munis; City already owns the module and pays annual support for it, but is not using it
- Develop Munis process and user procedures to better guide business users in their day-to-day work and reduce the current high volume of Munis help tickets that pertain to “how do I...”
- Reduce total cost of ownership by migrating to Munis’s cloud software-as-a-service infrastructure model



- Optimize Munis use of workflows

**2. Findings & Recommendations**

A&M has identified three key recommendations in the Assessment of the City’s ERP implementation. The recommendations include:

**Recommendation 1. *Align financial and accounting business processes and chart of accounts to ERP functionality***

**Recommendation 2: *Implement Munis process and user procedure guides***

**Recommendation 3. *Assess capital improvement strategy to move Munis ERP to cloud Software-as-a-Service (SaaS) from on-premises operating solution***

The below section of this report will provide a summary of the findings for each recommendation and identify key actions needed. The Stabilization and Turnaround Plan provides detailed guidelines, tasks, and timelines for the completion of these recommendations and strategic actions.

**Figure 46: ERP Implementation Findings & Recommendations**

ERP Implementation Findings & Recommendations
<p><b>Recommendation 1. <i>Align financial and accounting business processes and chart of accounts to ERP functionality</i></b></p> <p>There are many City financial and accounting processes that are currently handled outside of the ERP despite functionality being available in Munis to support and automate.</p> <p>Interviews indicated that the 2014 Munis implementation limited the review of business processes to the new system functionality. There was little input from the City Departments on the chart of account segment design and new segment values. As such, there are many value additions to the natural account segment (Object Code in Munis) that could possibly be better addressed through use of other segments to achieve the lower-level reporting (e.g., grant year programs). Departments expressed frustration with some of the current data structures.</p> <p>User access control report appears to show extensive access to multiple areas of Munis. The City should annually review user access controls and assess whether there are segregation of duties issues.</p> <p>Assessment interviews with Finance, Treasury and IT departments indicate there is limited testing being executed during annual Munis upgrade process. IT does not participate in testing effort, but rather leaves to the business to determine level of effort for testing and execution of tests.</p>





Tyler indicated that most customers spend four to six weeks testing major upgrades with multiple business users participating. There is significant increase in Tyler helpdesk tickets following upgrades.

City Finance and Treasury department are understaffed (multiple position vacancies) and the existing staff are behind on core financial operational activities; it is always a struggle for them to pause operational work to focus on testing an upgrade.

The City should dedicate staffing resources to support testing of major upgrades.

#### **Key Recommendation Actions:**

- Create business process workflow maps for all functional areas within the existing Munis system modules
- Assess current state use of Munis and identify gaps/opportunities for optimizing business processes through more effective alignment with standard Munis workflows and available functionality in Munis (e.g., electronic receipt of invoices and routing for approvals within Munis, calculation and application of penalties and interest to overdue customer receivables items, KPI dashboards, Month-end Manager workbench, Account Inquiry)
- Align Finance and Treasury Departments and IT on business objectives, then size Munis gaps/optimization opportunities and rank priority while assessing value and cost of each initiative against business objectives
- Prioritize “Quick Hit” low cost, quick return on value initiatives
- Assign business leads to manage implementation of initiatives
- For initiatives that require thorough knowledge of Munis, engage Tyler consultant to assist City business owners in execution of the initiative
- Rationalize Munis module ownership against actual use (e.g., own ACFR statement builder but not using)
- Build out financial statements and supporting schedules using Munis ACFR Statement Builder [ACFR Statement Builder | ERP | Tyler Technologies](#)
- Review security profiles for all users, including IT support, to ensure proper profiles for job duties are assigned
- Review Department/Division/Program structure in Munis to determine areas for improvement or refinement based on current organizational structures and services
- Review Munis Natural Account/Object Code to determine enhanced accounting and reporting functionality versus tracking program costs through chart of account codes
- Review backup/disaster recovery policy and procedures
- Establish a business lead who will own management of major upgrade testing
- Evaluate augmenting staff with Tyler consultants or independent contract resources to focus on major upgrade testing

#### **Recommendation 2: *Implement Munis process and user procedure guides***





City Departments across the organization including Finance, Treasury and business departments cited the need for City defined business process Munis procedure documentation. This raises concerns about whether business processes are being executed consistently and correctly with Munis functionality. This also causes challenges when new employees are onboarded with the lack of working system business procedures.

The City should develop Munis process and user procedure guides. See examples of extensive user documentation that Burlingame, California municipality provides its organization: [Tyler Munis 'How To' Library of Documents \(burlingameintranet.org\)](https://www.burlingameintranet.org/TylerMunisHowToLibraryofDocuments).

The City of Burlingame provides its Munis users with a web page with links to extensive user procedure documentation for each functional area, as well as some video tutorial recordings.

Creating quality user documentation requires an investment; however, it should pay off with increased consistency in execution of processes, reduced “how to...” support questions which City of Hopewell IT estimates composes more than 50% of help tickets, and improving efficiency of onboarding new users.

Evaluate cost of engaging Tyler Business Processing Consulting team to develop user documentation.

**Key Recommendation Actions:**

- Develop change management plan to integrate Munis procedure guides into documented procedures and training materials
- Establish annual review and program evaluation of City training needs with Muni process guides

**Recommendation 3. Assess capital improvement strategy to move Munis ERP to cloud Software-as-a-Service (SaaS) from on-premises operating solution**

Tyler has been providing cloud-based solutions for more than 18 years and has more than 10,500 clients using cloud-based solutions. Estimated annual cost of Munis licensing fee under SaaS Cloud infrastructure model is 1 ½ - 2 times the annual maintenance fee the City currently pays for Munis.

Moving to Cloud model would additionally eliminate the need for hardware, virtual machine software, operating systems, and database reducing asset cost and recurring operational costs. The City would no longer have to deal with quarterly upgrades of virtual servers and operating systems, weekly patch updates, database updates, and annual major version Munis upgrades. Currently, the City’s IT group has about 2.5 FTEs supporting Munis. This resource need would be reduced under Cloud model.

Tyler indicated that all functionality that City is currently using in the on-premises Munis application is available in the cloud SaaS version. It was also indicated that most municipalities that have migrated Munis from the on-premise to the cloud model have completed the migration project in 90-120 days.

**Key Recommendation Actions:**



- Assess the costs required to move Munis ERP to SaaS
- Build business case to support rationale for the capital improvement strategy



## TASK 4. BUDGET AND FINANCIAL ANALYSIS REGARDING THE CITY'S WASTEWATER TREATMENT FACILITY REBATES OWED AND USE OF FEDERAL COVID RELIEF FUNDS

### A. Overview

The final area of concern the Commonwealth cited was the City's ability to successfully (1) distribute rebates to Manufacturers involved in the Wastewater Treatment facility in a timely manner and (2) report, account, and allocate Coronavirus Relief Funds. The following subsections are divided amongst these criteria and include specific Strengths, Hurdles, Opportunities & Weaknesses and Findings & Recommendations.

### B. Wastewater Treatment Facility Rebates

The Hopewell Regional Wastewater Treatment Facility (the "Facility") is overseen by a Commission (later renamed as the "Hopewell Water Renewal Commission" in 2015) (the "Commission") which was created in 1975 to help plan and construct a regional wastewater treatment facility to be owned by the City of Hopewell (the "City"). When the Commission was created, its members entered into an agreement that set forth the financial responsibilities of the Commission members with respect to operational and maintenance costs of the Facility (the "Original Agreement").

The Original Agreement was replaced in 1995 by the Amended and Restated Hopewell Regional Wastewater Treatment Facility Agreement (the "Facility Agreement"). The parties subject to the Facility Agreement have fluctuated over time due to their use of the facility, but the current members include the City and AdvanSix, Ashland, WestRock, and Virginia American Water (collectively, "Manufacturers").

The vast majority of wastewater is produced by the four Manufacturers and is processed through the Facility's industrial side, while some less-hazardous wastewater is processed through the Facility's domestic side. Four of the seven Commission members are nominees submitted by the four Manufacturers. The remaining Commission members are positions held by a Hopewell City Council Representative, the Hopewell City Manager (or interim), and the Hopewell City Attorney.

The budget process for funding annual operations and maintenance of the Facility begins with the Facility Director and City Manager recommending a budget and the City Council making the final determination. Once the budget is approved, each User<sup>7</sup> subject to the Facility Agreement is responsible for contributing funding for the budget as a proportion of the overall wastewater sent to the Facility for the past three years. Users make periodic monthly payments to the City

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<sup>7</sup> "User" shall mean the City, the Manufacturers and such other persons, firms, corporations, associations, government instrumentalities, agencies or any other identifiable entity, their successors or assigns, who have entered into a contract, including, without limitation, by becoming a party to this Facility Agreement, with the City to discharge effluent to the Facility in excess of 100,000 gallons per day for the purposes of treating such effluent to remove or modify constituents or properties thereof prior to discharge into the receiving stream.



pursuant to the Facility Agreement for their use of the Facility, which enables them to comply with various EPA regulations.

By the end of the year, any remaining budget that has not been expended will be issued to each User as a percentage of what they contributed to the budget. Conversely, if the Facility goes over budget, each User is responsible for providing funds to cover the additional expenditures as a percentage of what they contributed to the budget. For example, the table below summarizes a rebate calculation for a sample Manufacturer. Whenever a rebate or bill is due to a Manufacturer, that amount is a deducted from/added to the next year's budget contribution.

**Figure 47: Illustrative Example of Rebate Calculation**

Manufacturer A				
Total Annual Operations and Maintenance Budget	% of Contribution to Cost of Processing Wastewater	Contribution Amount Due from Manufacturer A	Amount Over/Under Budget	Total Rebate/Bill Due to the Facility/Manufacturer
\$15M	20%	\$3M	±\$100K	±\$20K

The Facility first started to accept and process leachate from local landfills about 15-20 years ago. Leachate is water that has percolated through a solid and leached out some of the constituents. The Landfills, all of which are run by Waste Management, have developed a means of collecting leachate, whereby the rainwater—after it has seeped through the trash to the bottom of the landfill—is funneled into storage tanks and transported to the Facility. The Facility can accept up to 60 loads of leachate per day which equals approximately 90,000 gallons of leachate.

Starting in FY 2019, the Facility began increasing the level of leachate it would accept and process which increased its revenues as compared to previous years. For example, between FY 2013 and FY 2018, the average annual leachate revenue was \$1.6M. However, the City reported that the average annual revenue increased 4.5 times to be \$8.8M between FY 2019 and FY 2021.

For FY 2019, the City is considering not including leachate revenues as part of the rebate calculation. The revenues can be used to fund capital improvement projects that have not been approved due to resource constraints. However, if the City does include the leachate revenues as part of the rebate and does not reserve them for capital improvements, they would accrue a large liability. The tables below display the unaudited financial impact of including vs. not including leachate revenues as part of the rebate calculation.

**Figure 48: Unaudited Examples Accrued Liability Comparisons**  
Based on Wastewater Facility Budget and Actual Cost Information

Category	FY 2019	FY 2020	FY 2021
Facility Budget	\$11M - \$13M	\$12M - \$14M	\$12M - \$14M
Facility Actual Costs	\$10.9 - \$12.9M	\$12.4M - \$14.4M	\$12.4M - \$14.4M
Rebate(+) / Bill(-) if leachate revenues are not included	\$0 - \$100K	-\$500K - \$900K	-\$500K - \$900K



Leachate Revenue	\$6M - \$8M	\$6M - \$8M	\$10M - \$14M
Rebate(+) / Bill(-.) if leachate revenues are included	\$6M - \$8M	\$5M - \$6M	\$10M - \$13M

Using FY 2021 as an example, the table above reflects the City would retain an additional \$12.4 million in revenue if leachate is excluded from the rebate calculation; however, if the leachate is included in the rebate calculation, the City would be responsible for crediting the Manufacturers and City citizens \$11.8M for the FY 2022 budget year. The table below reflects a breakdown of rebate City citizens and Manufacturers (combined) would receive in FY 2019 – FY 2021 if leachate revenue were included in the rebate calculation.

**Figure 49: Unaudited Examples of Estimated Unaudited Financial Analysis**

Category	FY 2019		FY 2020		FY 2021	
	Percentage of Rebate Due	Rebate	Percentage of Rebate Due	Rebate	Percentage of Rebate Due	Rebate
City Rebate	16%	\$1M - \$2M	18%	\$1M - \$2M	19%	\$2M - \$3M
Manufacturer Rebate (Combined)	84%	\$5M - \$7M	82%	\$4M - \$5M	81%	\$8M - \$10M
Total	100%	\$6M - \$9M	100%	\$5M - \$7M	100%	\$10M - \$13M

**1. Strengths, Hurdles, Opportunities & Weaknesses Assessment**

The table below reflects our assessment of the Strengths, Hurdles, Opportunities, and Weaknesses (SHOW) of the City’s Wastewater Treatment Facility Rebates. This independent assessment is based on our experience and government finance knowledge, interviews with employees and key stakeholders, focus groups, as well as a review and analysis of data and information received.

**Figure 50: SHOW Assessment – Wastewater Treatment Facility Rebates**

<b>Strengths, Hurdles, Opportunities &amp; Weaknesses Assessment (SHOW) Wastewater Treatment Facility Rebates</b>
<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>The Wastewater Facility Leadership Team have shown initiative to market the services the facility can provide to companies such as Waste Management which is generating revenues that can be used for future enhancements.</li> </ul>
<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>The City does not budget for or forecast miscellaneous revenues (e.g., leachate collections) which makes it difficult for the City (and potentially the Manufacturers) to plan for how to use the profits. The City also needs to validate payments or rebates on the availability of cash within the Wastewater Treatment Facility Fund</li> <li>The process of approving, funding, and executing projects has stalled as Manufacturers are reluctant to approve new spending when the City continues to be delayed in distributing credits. From the City’s perspective, the delays are negatively</li> </ul>



impacting the efficiency and effectively of facility which is incentivizing them to explore other funding sources such as Leachate Profits which the Manufacturers feel they should be entitled to through the rebate process

- While A&M was able to see year-end bank balances, A&M was unable to validate those balances against preliminary cash balances for each of the major fund appropriations
- Presently there is no liability posted within the financial statements for any agreed to credit/rebates. It is also critical that the City compare any prior and current year Wastewater Treatment Facility rebates to available cash within the Wastewater Treatment Facility Fund
- Lack of openness and transparency in making publicly available Commission agenda's, meeting minutes and summary of actions

#### **Hurdles**

- Requiring audited financial statements is negatively impacting the Manufacturers and creates distrust as they have not received a credit since 2018
- The City has been unable to credit Hopewell Water Renewal Manufacturers for their contributions to the facility operations and maintenance since 2018 because they have not completed their audited financial statements which violates the Facility Agreement and erodes trust in the City's ability to maintain its commitments to the community
- The City is considering not sharing leachate profits with the Manufacturers. While this may generate revenues for the City to finance enhancement to the Wastewater facility, it may create distrust amongst the Manufacturers as precedent has been set to where the City share the Leachate Profits with the Users

#### **Opportunities**

- Use unaudited financials to estimate annual rebate amounts. The Commission should consider using unaudited financial statements to estimate credits due to Users with the recognition that "True Ups" to previously issued credits (e.g., clawbacks or additions) may be required. If approved, the Commission should make a recommendation to City Council who should then consider for approval
- City representatives (i.e., Director of Hopewell Water Renewal and City Attorney) on the Commission should notify the Manufacturer's representatives that it is their intension to keep the Leachate profits as longs as the conditions outlined in the facility agreement are met. However, they should also consider the concerns of the Manufacturers and come to an agreement that incorporates their interests.
- The City and Facility should begin budgeting for and forecast leachate revenues on an annual basis. This will enable the City to plan for how to use the profits throughout the budget process in areas for capital improvements and invest the funds in the event the funds are not immediately needed.
- Both the City and Manufacturers need a defined collectively agreed to plan on needed capital improvement projects offer the highest operating impact and return on investment and prioritize them for funding and implementation. For those projects,



each User should contribute a proportion of the overall capital budget based on the wastewater sent to the facility for the past three years.

- Commission should work with the Manufacturers on the establishment of the CMIP that is submitted to City Council for approval

**2. Findings & Recommendations**

A&M has identified three improvement strategy recommendations in the Wastewater Treatment Facility Rebate program. The recommendations include:

- Recommendation 1. Evaluate use of outside revenues for inclusion in rebate calculations**
- Recommendation 2: Finalize capital and operating improvement plan by Dewberry Associates for the wastewater facility**
- Recommendation 3. Estimate prior year Manufacturer Rebates using unaudited financials with true-up when audits are complete**

The below section of this report will provide a summary of the findings for each recommendation and identify key actions needed. The Stabilization and Turnaround Plan provides detailed guidelines, tasks, and timelines for the completion of these recommendations and strategic actions.

**Figure 51: Wastewater Treatment Facility Rebates Findings & Recommendations**

**Wastewater Treatment Facility Rebates Findings & Recommendations**

**Recommendation 1. Evaluate use of outside revenues for inclusion in rebate calculations**

While not documented in the current Ordinance and/or agreements with the Manufacturers, the City has been sharing the “miscellaneous revenues” primarily from the leachate revenues with the Manufacturer customers. The City also does not budget for or forecast leachate revenues which makes it difficult for the City (and potentially the Manufacturers) to plan for how to use the excess budget authority and/or revenues.

The Commission should collectively evaluate with the Manufacturers the use of outside revenues (revenues from Leachate) for inclusion in rebate calculations. The City and Facility should begin budgeting for and forecast leachate revenues on an annual basis. This will enable the City to plan for how to use the profits throughout the budget process in areas for capital improvements.

**Key Recommendation Actions:**

- Verify prior year and current year miscellaneous revenues from actuals in Munis
- Perform analysis on impact of miscellaneous revenues to cash balances of the enterprise fund





- Review revenue analysis with City Council and Manufacturers to clarify financial impact to the cash balances of the Enterprise Fund
- Amend City Ordinance and Manufacturer agreements based on any financial decisions on the inclusion of miscellaneous revenues in the rebate calculations
- Create monthly reports for the City Council and Commission on the financial operations of the facility (budget to actuals for both revenues and expenses and flow volume)
- Post Commission meeting notices, agenda's, meeting minutes and actions on the City's website

**Recommendation 2. *Finalize capital and operating improvement plan by Dewberry Associates for the wastewater facility***

There continues to be delays in developing, approving, funding, and executing a Capital Maintenance Improvement Plan ("CMIP") for the wastewater facility from the outside engineering firm Dewberry Associates. The CMIP was originally developed by the Facility, but the Commission requested an outside engineering to manage the plan as a third party. The process of approving, funding, and executing projects with the Capital Budget, which is separate from the operations and management budget process has stalled as Manufacturers are reluctant to approve new spending when the City continues to be delayed in distributing credits. From the City's perspective, the delays are negatively impacting the efficiency and effectively of facility which is incentivizing them to explore other funding sources such as Leachate Profits which the Manufacturers feel they should be entitled to through the rebate process.

The City should request Dewberry Associates to finalize the Capital Maintenance Improvement Plan (CMIP) for wastewater facility prioritizing those projects that offer the highest operating impact and return on investment. For those projects, each User should contribute a proportion of the overall capital budget based on the wastewater sent to the facility for the past three years. Examples of projects (and their budgeted cost) that require funding include:

- **Gravity Thickener Gear Boxes (\$600K)** – The purpose of this budget item is to replace mechanical equipment and gear boxes. Prior to the budget year 2023 – 2024, this was originally budgeted for \$300K, but the engineering firm conducting work determine the assessment alone would cost \$300K in addition to the \$300K to complete the project.
- **Valve actuators (\$250K)** – Installation/replacement of explosion proof automatic valve actuators to open and close large sluice gates around the facility. Some existing gates are operated manually, and others have automatic actuators that are inoperable. All existing actuators are past their useful life. Currently, staff has to rent cranes to raise or lower existing sluice gates.
- **Incinerator Feed Pumps (IFP) (\$2.75M)** – The original plant design included four incinerator feed pumps and only three pumps are installed. A new pump is being

installed to be associated with the new centrifuge that was installed, which will make four IFPs. The three existing pumps are past their useful life and only one is currently operable. This request is for the purchase and installation of two new pumps.

**Key Recommendation Actions:**

- Develop/update multi-year capital project and operating budget estimates for Wastewater Treatment facility
- Review operating and capital improvement requirements with City Council and Commission
- Complete cost of service analysis to create rate model for funding future year operating and capital improvement needs
- Revise budget process to include all enterprise related revenues and expenses (both operating and capital)
- Review cost of service analysis with City Council and Commission for formal approval
- Update annually the operating and capital spending needs for the Wastewater facility
- Post Commission meeting notices, agenda's, meeting minutes and actions on the City's website

**Recommendation 3. *Estimate prior year Manufacturer Rebates using unaudited financials with true-up when audits are complete***

Requiring audited financial statements from the City is negatively impacting the Manufacturers and creates distrust as they have not received a credit since 2018. While not explicitly stated in the Facility Agreement, there has been an informal decision by City Council to only use audited financial statements to determine if Users are due a credit or must provide funds to cover the additional expenditures.

The City should use unaudited financials to estimate annual rebate amounts to estimate credits due to Users with the recognition that "True Ups" to previously issued credits (i.e., clawbacks or additions) may be required. If approved, the Commission should make a recommendation to City Council who should then consider for approval

**Key Recommendation Actions:**

- Create budget to actual reports for operating and capital expenditures and revenues for the periods of FY 2019 to FY 2022
- Update the Departments rebate model based on the unaudited revenue collections and expense actuals (operating and capital)
- Review prior fiscal year rebate model results with the Commission and City Council
- Determine if a "reserve" amount should be included in the rebate calculations to budget for any future capital improvements (See Recommendation 2) while the CMIP is being developed
- Create true-up process for when FY 2019 to FY 2022 audits are complete
- Post Commission meeting notices, agenda's, meeting minutes and actions on the City's website



**C. Federal COVID Relief Funds**

Similar to other local governments across the U.S. and the Commonwealth of Virginia, Hopewell benefited from Federal COVID Relief Funds (CRF) during the pandemic to support their response to and recovery from the COVID-19 public health emergency. The table below is a summary of the COVID CRF disbursements made by the Commonwealth and the U.S. Treasury Department.

**Figure 52: Summary of City of Hopewell Federal COVID-Related Grants**

Expenditure Categories	Actual FY 2020	Actual FY 2021	Total Actuals Grant Periods	Total Appropriations
COVID-19 Testing and Contact Tracing	\$26,577	\$68,652	\$95,230	\$95,230
Economic Support (Other than Small Business, Housing, and Food Assistance)	\$408,137	\$485,974	\$894,112	\$1,206,093
Facilitating Distance Learning	\$233,181	\$17,770	\$250,951	\$250,951
Housing Support	\$33,130	\$285,991	\$319,121	\$319,121
Improve Telework Capabilities of Public Employees	\$101,984	\$57,463	\$159,447	\$159,447
Medical Expenses	\$191,958	\$38,484	\$230,442	\$230,442
Broadband (reported to APA as "Other (Item not listed)")	\$2,983,149	\$971,739	\$3,954,888	\$3,954,888
Payroll for Public Health and Safety Employees	\$337,827	\$159,217	\$497,045	\$497,045
Personal Protective Equipment	\$115,826	\$23,091	\$138,917	\$138,917
Public Health Expenses	\$326,914	\$505,648	\$832,562	\$832,562
Small Business Assistance	\$867,891	\$108,000	\$975,891	\$975,891
Unemployment Benefits	\$14,347		\$14,347	\$14,347
Workers' Compensation	\$7,996	\$127	\$8,123	\$8,123
<b>Total</b>	<b>\$5,648,919</b>	<b>\$2,722,156</b>	<b>\$8,371,075</b>	<b>\$8,683,057<sup>9</sup></b>

CARES Act<sup>8</sup>

<sup>8</sup> Coronavirus Aid, Relief, and Economic Security (CARES)

<sup>9</sup> The variance of \$311,981 between the total spent and appropriated was due to unspent funds Utility relief before the required deadline. As a result, these funds were returned.



Expenditure Categories		Actual FY 2021	Actual FY 2022	Total Actuals Grant Periods	Total Appropriations
SLFRF <sup>10</sup>	Funds Revenue Replacement	\$0	\$432,231	\$432,231	\$5,622,819 <sup>11</sup>
<b>Total</b>		<b>\$0</b>	<b>\$432,231</b>	<b>\$432,231</b>	<b>\$5,622,819</b>

As part of the Commonwealth’s monitoring process, localities were required to submit reports on a quarterly basis to summarize the use of the grant funds by allowable expenditure categories. Hopewell is also required to submit annual American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) status reports the U.S. Treasury Department.

The Commonwealth cited concerns with the City’s reporting, accounting, and allocation of Coronavirus Relief Funds and asked that A&M conduct an assessment to determine if proper grant accounting processes were in place.

**1. Strengths, Hurdles, Opportunities & Weaknesses Assessment**

The table below reflects our assessment of the Strengths, Hurdles, Opportunities, and Weaknesses (SHOW) of the City’s management of Federal COVID Relief Funds. This independent assessment is based on our experience and government finance knowledge, interviews with employees and key stakeholders, focus groups, as well as a review and analysis of data and information received.

**Figure 53: SHOW Assessment - Federal COVID Relief Funds**

Strengths, Hurdles, Opportunities & Weaknesses Assessment (SHOW) Federal COVID Relief Funds	
<b>Strengths</b>	<ul style="list-style-type: none"> <li>The City is currently compliant with Federal COVID Relief Funding reporting requirements to both the Commonwealth and the U.S. Treasury</li> <li>Separate grant projects are established within Munis to track the various COVID Relief Grant Funds</li> </ul>
<b>Weaknesses</b>	<ul style="list-style-type: none"> <li>Limited guidance provided to Departments on the use of funds</li> <li>While the previous City Manager and current Finance Department attempted to provide guidance to Departments on the requirements for using Federal Covid Relief Funding, there was still a lack of sufficient detail and reporting standardization so that each Department clearly understood how the manager the funds</li> </ul>

<sup>10</sup> The Coronavirus State and Local Fiscal Recovery Funds (SLFRF) were authorized by the American Rescue Plan Act

<sup>11</sup>The Treasury’s website reports that Hopewell received a total of \$5,622,819 in SLFRF funds directly from the Federal Treasury. However, Hopewell is reporting they received \$9,998,813 in two different Tranches which were each 4,999,406.50. The City is currently investigating the discrepancy.



<ul style="list-style-type: none"> <li>Without providing the requisite level of detail, Department Directors were required to conduct their own research and training to on how to align the grant funds to spending categories during the budget process and determine what can be spent against the budgeted funds</li> <li>While the City appears to have met all Federal Covid Relief Funding reporting requirements, Department are not as effective and efficient in completing their job responsibilities</li> <li>Uncertainty in the City’s ability to validate the appropriate uses of COVID Relief Grant Funds in future year Single Audit reviews due to the limited description of uses of funds</li> </ul>
<p><b>Hurdles</b></p> <ul style="list-style-type: none"> <li>The City lacks dedicated grants management staff to monitor the uses of these COVID funds</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>Document programmatic uses of grants funds (such as those for COVID relief) in alignment with eligibility requirements to reduce the potential for future audit findings and/or claw backs of Federal funding</li> <li>As mentioned in the Financial Operations Section, hiring dedicated grants management staff to support the documentation of programmatic uses of grants funds can offer a range of benefits</li> </ul>

**2. Findings & Recommendations**

A&M has identified two improvement strategy recommendations for the monitoring of COVID Grants. The recommendation include:

**Recommendation 1. *Create monitoring system to ensure COVID SLFRF are aligned to approved grants uses***

**Recommendation 2. *Add one (1) new Grants Management Officer to streamline the process of monitoring, managing and application of new grants***

The below section of this report will provide a summary of the findings for each recommendation and identify key actions needed. The Stabilization and Turnaround Plan provides detailed guidelines, tasks, and timelines for the completion of these recommendations and strategic actions.

**Figure 54: Federal COVID Relief Funds Findings & Recommendations**

Federal COVID Relief Funds Findings & Recommendations
<p><b>Recommendation 1. <i>Create monitoring system to ensure COVID SLFRF are aligned to approved grants uses</i></b></p> <p>A&amp;M that the City provided limited guidance provided to Departments on the various use of federal COVID related grant funds, Department Directors were required to conduct their own research and training on how to align the grant funds to spending categories during the</p>



budget process and determine what can be spent against the budgeted funds, While the City appears to have met all Federal Covid Relief Funding reporting requirements, Department are not as effective and efficient in completing their job responsibilities.

**Key Recommendation Actions:**

- Review expenses for current expenses and encumbrances to ensure alignment with federal grant fund approved uses
- Document uses in revenue recovery in the FY 2023 budget
- Create plan for the remaining unobligated uses of COVID related grant funds by December 2024
- Develop cross walk matrix for quarterly reporting to the Commonwealth and annual reporting matrix to the US Department of Treasury
- Develop monitoring system for any federal grant funds provided to external community agencies
- Create grant management policies and procedures

**Recommendation 2. *Add one (1) new Grants Management Officer to streamline the process of monitoring, managing and application of new grants***

As previously mentioned under Recommendation 1 for this section, the process for acquiring and managing grants is not streamlined. During the working session with 24 Department representatives, a consistent theme arose where grants were not tracked (i.e., when they would be sent) so whenever funds appeared in an account, the Treasurer did not have a primary contact to identify what grants the funds applied to which created confusion.

Departments also lacked sufficient guidance on compliance requirements for grants such as reporting and programmatic performance measures. They also needed to become grants experts in addition to their normal job responsibilities, which is not an efficient use of recourses. By adding an additional grant management officer, this person could assume those responsibilities to allow Departments to focus on their core mission.

**Key Recommendation Actions:**

- Reference recommendation *Recruit, hire, and retain experienced Finance Department and City Treasurer’s Office professionals* for actions (Task 3 – Organizational Assessment)

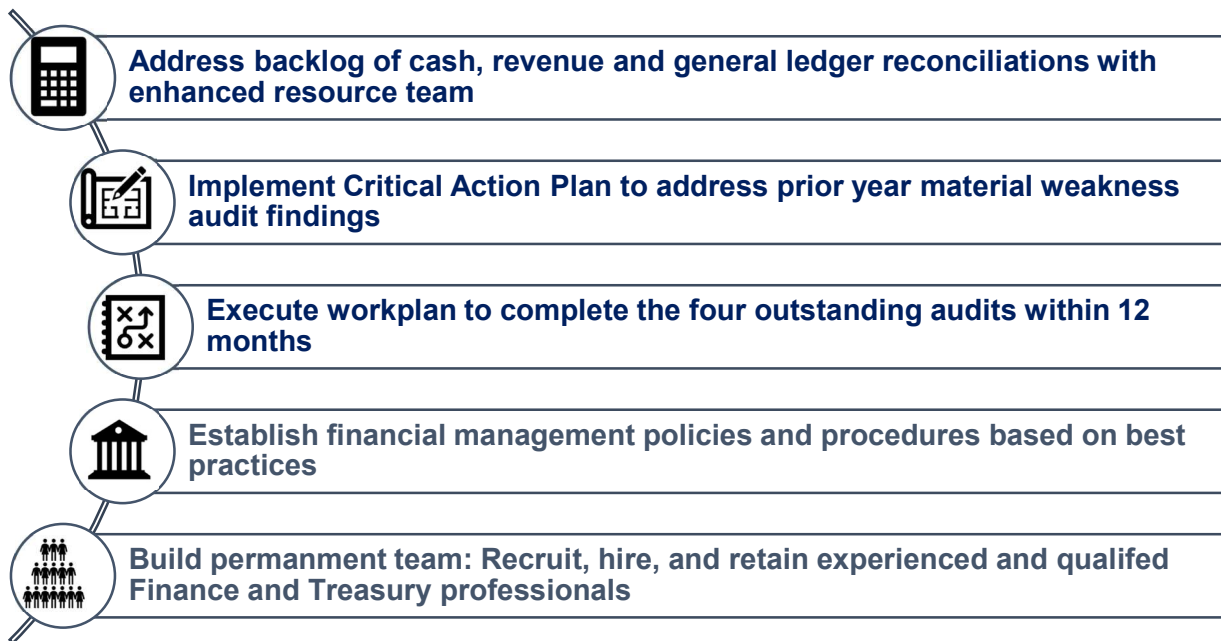
**STABILIZATION AND TURNAROUND PLAN**

**A. Purpose**

The purpose of the Stabilization and Turnaround Plan (The Plan) is to provide the City with a roadmap for implementing the priority recommendations to put them on the path to stronger financial management. The Plan is broken into two Phases: 1) the essential priorities to achieve a “clean” audit, and 2) requirements to maximize the credit rating. Summary recommendations that align with these Phases are provided in the figure and table below.

The key feature of the Stabilization and Turnaround Plan is a list of initiatives that will address the challenges facing the City and operationalize the recommendations coming out of the assessment.

**Figure 55: Essential Priorities for “Clean” Audit**



A&M’s workplan focuses on recommendations aligned putting the City on the path to achieve clean audits. Once the City has reached that milestone, priorities can shift to the initiatives identified to maximize the City’s credit rating. The below Table provides a summary of the various industry rating agency criteria from the three national rating firms (i.e., Standard & Poor’s, Moody’s, and Fitch).





**Figure 56: Summary of Credit Rating Maximization Initiatives**

Rating Area	Credit Rating Maximization Initiatives
<b>Management &amp; Operating Performance</b>	<ul style="list-style-type: none"> <li>• Complete audits within six months of the close of the fiscal year</li> <li>• Institute a process to address audit findings timely to reduce likelihood of repeat findings, material weaknesses, and qualified opinions</li> <li>• Drive stability in the organization by reducing vacancies and attrition and hiring experienced and qualified Finance Department and City Treasurer staffing resources</li> </ul>
<b>Liquidity &amp; Reserves</b>	<ul style="list-style-type: none"> <li>• Reconcile cash so that there is a complete and accurate view of the cash position</li> <li>• Increase the reserve policy for unassigned GF fund balance from 10 percent to 16.7 percent and maintain balance at least at the policy level (GFOA recommends at least 16.7 percent of next year's budget)</li> </ul>
<b>Revenue &amp; Expenditure Framework</b>	<ul style="list-style-type: none"> <li>• Forecast revenues based on projected changes in tax base to align out-year budgets with anticipated trends</li> <li>• Manage increases in spending to be in line with or below expected revenue growth</li> </ul>
<b>Debt &amp; Pensions</b>	<ul style="list-style-type: none"> <li>• Maintain a clear view of long-term liabilities, debt position, including pensions, OPEB, and other liabilities</li> <li>• Monitor debt service coverage ratios and compliance with debt covenants` and disclosure requirements</li> </ul>
<b>Economy &amp; Tax Base</b>	<ul style="list-style-type: none"> <li>• Track changes in assessed and taxable valuation of the City's tax base to develop budgets that are responsive to any declines in tax revenue that may be on the horizon</li> <li>• Monitor major taxpayers (valuation and taxes) to understand tax base concentration and where the City could be vulnerable if a major taxpayer leaves or if a key industry exits the area</li> </ul>



**B. Workplan Summary**

A&M has outlined a plan to provide the City with guidance on the timeline for implementation of priority initiatives. The Project Management Office would extend beyond the remaining Focus Areas to allow for project evaluation support. An assumption of this workplan is that the City is willing to invest in obtaining the personnel resources required to execute recommendations where current staffing and experience levels are insufficient.

**C. List of Strategic Improvement Recommendations**

A&M recommends the City prioritize the following recommended initiatives to better position the City to achieve unmodified opinions as it catches up on production of FY 2019 through FY 2022 audits and prepares for the current FY 2023 fiscal year's ACFR. A&M used the following guidelines for characterizing the Priority for Implementation:

**Priority**

- **High:** Should be initiated within the next 30 to 60 days to address essential prior year audit closeout processes and internal control Critical Action Plans
- **Medium:** Should be initiated within the next 90 days to address improving ongoing financial management business processes
- **Low:** Should be initiated within the next six months to improve operational efficiency and transparency in financial management practices

The following list consolidates the recommendations across Tasks 1. through Task 4. and assigns a timeframe and priority for implementation to each recommendation.

**Figure 57: List of Recommended Strategic Recommendation Initiatives**

Recommendation Initiatives	Days to Complete	Priority
<b>Audit Status</b>		
1. Establish Fiscal Turnaround PMO to manage priority recommendations and address backlog of cash and general ledger reconciliations with enhanced resource teams	180	High
2. Implement Critical Action Plans to address prior year's material weakness and internal control audit findings (*)	160	High
3. Execute workplan to complete the four outstanding audits as soon as practical, but at least within the next 12 months (*) <sup>12</sup>	90	High

<sup>12</sup> (\*) While the Turnaround Plan actions and tasks are reflected to be completed within the next six to nine months, the full implementation of several of the overall tasks (e.g., Complete prior year audits, Improvements to



Recommendation Initiatives	Days to Complete	Priority
4. Create current month and year end closing processes (*)	45	High
5. Establish a separate audit for the Hopewell City Public Schools	90	Low
<b>Financial Health</b>		
6. Measure and monitor the financial health and year-to-date performance of the City	90	Medium
7. Create multi-year financial plan	60	High
8. Evaluate cash management and investment practices	45	Medium
9. Identify alternative capital financing options	90	Medium
10. Create an annual Priority Based Budget process (*)	60	Low
<b>Operational Challenges</b>		
11. Recruit, hire, and retain experienced and qualified Finance and Treasury professionals	90	High
12. Develop a Service Delivery Model so City financial services are designed, organized, standardized, and delivered to meet the needs of City staff	120	Medium
13. Establish key department operation performance indicators	90	Low
14. Establish financial management policies and procedures based on best practices	90	High
15. Establish internal control framework	120	High
16. Centralize cash management collections and reconciliation process	90	Medium
17. Centralize AP intake process	60	Medium
18. Assess the City's current use of Munis Fixed Asset module and fit/gap against best practices	60	Medium
19. Leverage automation tools to support account reconciliations and period-end tasks	60	Medium
20. Align financial and accounting business processes and chart of accounts to ERP functionality	120	High
21. Implement Munis process and user procedure guides	90	Medium

the FY2024 audit process, Implementation of Priority Based Budgeting, etc.) will extend into the Fall/Winter of 2024



Recommendation Initiatives	Days to Complete	Priority
22. Assess capital improvement strategy to move Munis ERP to cloud Software-as-a-Service (SaaS) from on-premises operating solution	90	Low
<b>Wastewater Facility Rebates &amp; COVID Grants</b>		
23. Evaluate use of outside revenues for inclusion in rebate calculations	30	High
24. Finalize capital and operating improvement plan by Dewberry Associates for the wastewater facility	60	High
25. Estimate prior year Manufacturer Rebates using unaudited financials with true-up when audits are complete	30	High
26. Create monitoring system to ensure COVID SLFRF are aligned to approved grants uses	30	High
27. Add one (1) new Grants Management Officer to streamline the process of monitoring, managing and application of new grants	90	High

#### D. Turnaround Plan Action and Tasks

In the sections below, A&M has provided additional guidance to help the City execute against the recommendations set forth in this assessment.

**Figure 58: Stabilization Workplan and Turnaround Plan Tasks**

### City of Hopewell, Virginia Stabilization Workplan as of May 8, 2023

#### Strategies to Improve the Annual Audit Process (Task 1)

- 1.0 Address backlog of cash and general ledger reconciliations with enhanced resource teams**
  - 1.A. Determine the status and volume of existing backlog, including the number of outstanding reconciliations and estimate the amount of time needed to complete**
    - 1.A.1 Develop a matrix of all outstanding cash and general ledger reconciliations with notes to support tracking (e.g., status, expected completion date)
    - 1.A.2 Develop timeline and level of effort to complete each reconciliation
    - 1.A.3 Finalize external staffing resources required to expedite completion of outstanding reconciliations
  - 1.B. Hire contract resources to complete prioritized outstanding prior year reconciliations**
    - 1.B.1 Appoint a Project Manager to oversee backlog reconciliation process
    - 1.B.2 Document roles and responsibilities and required qualifications for contract resources
    - 1.B.3 Establish budget for short-term staffing resource needs
    - 1.B.4 Hire "emergency" contract resources to address reconciliation backlog
    - 1.B.5 Select desired contract resources to address reconciliation backlog



- 1.B.6 Onboard contract resources to address reconciliation backlog
- 1.C. *Develop a timeline for completing the reconciliation based on available resources and prioritization***
  - 1.C.1 Prioritize reconciliation based on factors such as amount of time the reconciliation has been outstanding, the potential impact on financial reporting, and the amount of cash or accounts impacted
  - 1.C.2 Update reconciliation backlog matrix with timeline for completion including use of contracted resources
  - 1.C.3 Communicate information regarding the timeline and tracking mechanisms to all personnel that will be working to address reconciliation backlog
- 1.D. *Create revised automated reconciliation process to complete cash and general ledger reconciliation***
  - 1.D.1 Engage contract resources to develop a reconciliation model that has more automated mechanisms for identifying and tracking variances
  - 1.D.2 Document process for updating model for daily and monthly reconciliations
  - 1.D.3 Develop workflow procedures and business maps to document process
  - 1.D.4 Train all employees with reconciliation responsibilities on updating and analyzing the model
- 1.E. *Monitor progress on the backlog of reconciliations to ensure that the resources allocated are sufficient and that the timeline is being met***
  - 1.E.1 Create twice a week check in status with key City Departments to monitor reconciliation tasks
  - 1.E.2 Report weekly to the City Manager and City Finance Committee on status
  - 1.E.3 Create risk and issues log to manage work progress
  - 1.E.4 Schedule bi-weekly meetings with the Auditor to review status
- 1.F. *Report the results of the remediation efforts to senior management and stakeholders to demonstrate progress and ensure that the remediation efforts are aligned with City goals and objectives***
  - 1.F.1 Schedule bi-weekly meetings with the Auditor to review status
  - 1.F.2 Develop checklist and tracker on status of reconciliations and related tasks
  - 1.F.3 Report to City Council Finance Committee reconciliation status on a bi-weekly basis
  - 1.F.4 Review results with City Treasurer, Finance Director, and Auditor for alignment with year-end closing and audit review process
- 1.G. *Identify and deploy opportunities for continuous improvement in the reconciliation process, including leveraging Munis to prevent future backlogs and improve overall efficiency***
  - 1.G.1 Schedule training workshop with Munis to examine workflow approvals
  - 1.G.2 Schedule calls with other municipal Munis customers to review best practices
  - 1.G.3 Implement enhanced technology functionality and applications from purchased modules
  - 1.G.4 Document new enhanced processes and workflow and deploy training materials
- 1.H. *Continuously evaluate the effectiveness of the remediation efforts and adjust the plan as needed to ensure that the backlog is fully addressed, and future reconciliations are completed in a timely and accurate manner***
  - 1.H.1 Review workflow procedures and business maps process to validate processes and procedures
  - 1.H.2 Report on status of any hurdles or opportunities for improvement with City leadership, Component Units, and Auditors

**2.0 Implement Critical Action Plans to address prior year's material weakness and internal control audit findings**

- 2.A. *Conduct a comprehensive assessment of the scope and status of the outstanding audits***
  - 2.A.1 Engage a Project Manager to oversee the development of the Critical Action Plans



- 2.A.2 Determine the audit finding areas that need to be reviewed and the documents that need to be analyzed
- 2.A.3 Review and analyze required information to identify key factors leading to the findings
- 2.A.4 Document key takeaways of the assessment
- 2.A.5 Perform a root cause analysis to identify the factors that contributed to the delays such as staffing issues, resource constraints, and process inefficiencies

**2.B. Develop Critical Action Plan workplan**

- 2.B.1 Outline the specific tasks that need to be completed, the responsible parties, and the timeline for completion to address audit findings
- 2.B.2 Identify necessary resources that complete the audits with the 12-month timeframe
- 2.B.3 Hire additional staff and/or outsource to complete portions of the effort
- 2.B.4 Set interim milestones for completing the various tasks within the workplan to monitor progress and ensure that the timeline is being met

**2.C. Develop and implement Standard Operating Procedures (SOPs) for the audit process to ensure that all audits are completed accurately and in a timely manner moving forward**

- 2.C.1 Document SOPs for supporting audit process
- 2.C.2 Confirm that SOPs align with external auditor process
- 2.C.3 Train staff members on the new SOPs
- 2.C.4 Provide ongoing support to ensure that the audits are completed consistently and accurately

**2.D. Report the results of the audits to senior management and stakeholders to demonstrate progress and ensure that the remediation efforts are aligned with City goals and objectives**

- 2.D.1 Create internal review process to monitor remediation and action efforts
- 2.D.3 Manage risk and mitigation log to identify strategies to address any hurdles
- 2.D.4 Hold monthly meetings with the City Council Finance Committee to review status
- 2.D.5 Meet with the external Auditor to review status of Critical Action Plan tasks

**3.0 Execute workplan to complete the four outstanding audits as soon as practical, but at least within the next 12 months**

**3.A. Document a workplan in coordination with the Auditor that outlines the required tasks and timeline for completing outstanding audits over the next 12 months**

- 3.A.1 Seek budget approval from City Council for hire of a Project Fiscal Manager to coordinate the tasks for addressing prior year audit review processes
- 3.A.2 Designate Project Manager to coordinate the completion of the outstanding prior year Audits
- 3.A.3 Create calendar of key pre-closing and annual closing tasks
- 3.A.4 Assigned duties and tasks to various Finance Department personnel and other City Departments and Component Unit Agencies
- 3.A.5 Hold Year End Closing meetings with Departments and Key Component Unit personnel to communicate process and key tasks
- 3.A.6 Review prior year "Prepared By Client" (PBC) schedules and develop primary shared project room for the centralization of document production
- 3.A.7 Review cash and general ledger reconciliations to ensure completed in the 13th accounting period if the 12th accounting period is closed for fiscal year
- 3.A.8 Review adjusting journal entries provided by external Auditor and make required entries in the 12th or 13th accounting period
- 3.A.9 Align prior year ACFR balances with Munis financial statements and make appropriate adjustments into the beginning or 13th accounting period (prior year)



- 3.A.10 Review entries for all General Ledger and Balance Sheet accounts for accuracy including long term liabilities, assets, depreciation, allowance for doubtful accounts, accounts receivables, due to other governments, suspense accounts, etc.
- 3.A.11 Review prior year material weakness and internal audit control findings and provide update to Critical Action Plan on remediation actions
- 3.A.12 Centralize all PBC and data requests to be submitted to the external Auditor with review by the Finance Director and City Treasurer prior to submission
- 3.A.13 Establish meeting cadence with external Audit team for field testing and document review
- 3.A.14 Prepare each Fiscal Year's Trial Balance and Other ACFR Tables and Schedules for the external Auditor to use
- 3.A.15 Review preliminary ACFR footnotes, schedules, and statements with the external Auditor to ensure understanding of adjustments and required City entries
- 3.B. *Create defined documentation for audit procedure tasks, including checklists for required tasks and information***
  - 3.B.1 Document audit procedure tasks
  - 3.B.2 Develop checklists for required tasks and information
  - 3.B.3 Establish clear roles and responsibilities for completing year-end processes and document the steps involved in the process
  - 3.B.4 Provide annual training on essential year-end closing tasks and calendar milestones for staff the audit process responsibilities
- 3.C. *Add professional resources teams to complete prior year reconciliations for cash, revenue, and other general ledger postings***
  - 3.C.1 Develop task lists of duties and responsibilities
  - 3.C.2 Determine split of permanent vs temporary staffing support
  - 3.C.3 Execute hiring process for permanent staffing
  - 3.C.4 Execute procurement process for temporary staffing
  - 3.C.5 Onboard permanent and/or temporary staffing support
- 3.D. *Coordinate with Munis to identify mechanisms to update prior fiscal years where restatements and adjusting journal entries are required to improve reliability of data in the financial system***
  - 3.D.1 Review business process to post prior year adjusting journal entries
  - 3.D.2 Evaluate Munis system functionality to create adjusting journal entries in 13th accounting period
  - 3.D.3 Meet with area Munis technical support and Munis government user groups to discuss best practices within the system
  - 3.D.4 Create procedures for recording Auditor adjustments and alignment of ACFR balances to Munis
- 3.E. *Centralize submission and review of "Prepared by Client" materials to the external Auditor***
  - 3.E.1 Confirm required PBC documentation with external auditor
  - 3.E.2 Establish shared folders for each audit year
  - 3.E.3 Send instructions to Departments, Component Units, and Elected Offices for central submission of PBC materials and calendar milestones
  - 3.E.4 Review materials with Departments, Component Units, and Elected Offices prior to submission to the external auditor
  - 3.E.5 Communicate PBC submission process with relevant staff
  - 3.E.6 Submit materials to external Auditor

#### 4.0 Create current month and year-end closing processes





- 4.A. Create check lists for major Finance Department and City Treasurer Office tasks and closing activities**
- 4.A.1 Document monthly and annual closing tasks and process
  - 4.A.2 Hold year-end closing process meetings with Departments and Component Units to communicate and review tasks and actions
  - 4.A.3 Create calendar of key pre-closing dates and key Finance Department and City Treasurer Office tasks/milestones
  - 4.A.4 Identify key pre-closing and annual closing tasks
  - 4.A.5 Assigned duties and tasks to various Finance Department and other City Departments and component Unit Agencies
  - 4.A.6 Hold Year-End Closing meetings with Departments and Key Component Unit personnel to communicate process and key tasks
  - 4.A.7 Review prior year PBC schedules and develop primary shared project room for the centralization of document production
  - 4.A.8 Improve record-keeping practices to ensure that all necessary documentation is available for year-end processes and the audit
- 4.B. Create list of monthly and year end accounting and reconciliation tasks**
- 4.B.1 Review all Muni system-access controls and confirm all account supervisors, managers, and fiscal officers are accurate and appropriate
  - 4.B.2 Review all clearing account transactions and move to their appropriate operating account. Clearing accounts should have a zero balance at fiscal year-end keeping in mind transactions should not remain in an account longer than 30 days. Ensure account reconciliations have been completed and reason for unapplied transactions documented
  - 4.B.3 Detailed review of Balance Sheet accounts for accuracy, reliability, and completeness of the financials. Ensure identified errors have been corrected prior to closing cutoff
  - 4.B.4 Detailed review of Income Statement for accuracy, reliability, and completeness of the financials. Ensure identified errors have been corrected prior to closing cutoff
  - 4.B.5 Review all year accrual entries posted to the Munis financial system accounts during the fiscal year. Ensure any non-system generated accrual entries per any established threshold requirement are substantiated and recorded
  - 4.B.6 Review cash and general ledger reconciliations to ensure completed prior to close of 12 and/or 13th accounting period
  - 4.B.7 Align prior year ACFR balances with Munis financial statements and make appropriate adjustments into the beginning or 13th accounting period (prior year)
  - 4.B.8 Establish process and communication of (1) last day for new PO's (2) last payment date for invoices and (3) date for submission of PO cancellations
  - 4.B.9 Establish process and communication of dates for processing of final year end transactions and central reporting of (1) Accounts Receivable balances (2) Accounts Payable balances (3) Petty Cash/Change in Fund balances (4) Accrued Liabilities (5) Unearned Revenue (6) Accrued Payroll (7) Fixed Assets (8) Suspense Accounts (9) Allowance for Doubtful Accounts, (8) Other Long-Term Liabilities, etc.
  - 4.B.10 Complete calculation of the net investment in capital assets that the City reports for governmental activities and business-type activities, as applicable, on its government-wide statements of net position
  - 4.B.11 Establish cutoff for final year end credit card transactions and reconciliation to the General Ledger
- 4.C Develop and implement standard operating procedures (SOPs) for cash and general ledger reconciliations to ensure that all reconciliations are completed accurately and in a timely manner moving forward**
- 4.C.1 Create template for SOP materials



- 4.C.2 Develop inventory of needed reconciliation materials for SOPs
- 4.C.3 Create change management plan to communicate SOPs to internal staff
- 4.C.4 Train staff members on the new SOPs and provide ongoing support to ensure that the reconciliations are completed consistently and accurately

**4.D *Align FY2024 audit preparation process with the Certificate of Achievement in Financial Excellence criteria and submit the FY2024 audit to GFOA for review and evaluation***

- 4.D.1 Review criteria and checklist for Certificate of Achievement in Financial Excellence
- 4.D.2 Assign document content and tasks to Finance staff
- 4.D.3 Review submission tasks with external auditor
- 4.D.4 Establish peer review with area Virginia cities for areas for improvement
- 4.D.5 Develop CoA for submission to GFOA
- 4.D.6 Review comments and include in future COA and ACFR reports

**5.0 Establish a separate audit for the Hopewell City Public Schools**

**5.A. *Document financial compliance requirements for Hopewell Public Schools to meet federal grant award commitments***

- 5.A.1 Hold working session with School and City administrative leadership to outline challenges and issues with City ACFR delays
- 5.A.2 Coordinate with Federal Grantors required audit components to maintain grant funding
- 5.A.3 Coordinate with Financial Advisor to determine required audit components to effectively access strategic financing opportunities
- 5.A.4 Document consolidated audit requirements to address grants and financing to guide external auditor process and selection

**5.B. *Implement Critical Action Plan to address prior year material weakness and internal control issues related to the Schools financial management operations and practices***

- 5.B.1 Assign Project Manager resource efforts to coordinate Critical Action Plan for Schools to address material weakness and internal controls
- 5.B.2 Inventory status of Hopewell Schools to address internal control findings
- 5.B.3 Determine root cause for control issues and material weaknesses
- 5.B.4 Develop detailed tasks and actions to address findings
- 5.B.5 Create monitoring system to ensure Critical Action Plan recommendations are being addressed
- 5.B.6 Hold monthly meetings to review status with Hopewell Schools and City Finance leaders and City Finance Committee
- 5.B.7 Report Risks and Mitigation Strategies to address hurdles and challenges addressing the Critical Action Plans
- 5.B.8 Hold quarterly meetings with the external Auditor on the status of the Critical Action Plan implementation and sustainability efforts
- 5.B.9 Communicate to Federal grant agency progress on implementation and sustainability of internal control Critical Action Plan improvements

**5.C *Develop process for selection of external Audit firm to provide for a separate School District ACFR and Single Audit that will be included in the City's ACFR***

- 5.C.1 Develop scope of services for external audit requirements for Hopewell Schools
- 5.C.2 Implement joint procurement process with the City and Hopewell Schools for external audit services
- 5.C.3 Create selection review process with the City and School leadership officials
- 5.C.4 Establish reporting and communication roles with the Schools on the audit process



- 5.C.5 Align annual City closing processes for inclusion of the School's financials into the City's ACFR as a Component Unit
- 5.C.6 Evaluate process after the City becomes current with its prior and current ACFR's and execution of the essential Critical Action Plan

## Strategies to improve Monitoring and Managing of the Financial Condition of the City and Component Units (Task 2)

### 6.0 Measure and monitor the financial health and year-to-date performance of the City

#### 6.A. *Create financial benchmarks and ratio analysis to monitor financial health of the City based on financial audits and economic data from the US Census*

- 6.A.1 Review recommended benchmarks and ratios with City Finance Committee and City Council to verify metrics
- 6.A.2 Develop procedures create ratios and benchmarks based on defined formulas
- 6.A.3 Create user guide manual of what the benchmarks measure and importance to the City
- 6.A.4 Create baseline based on current financial information (e.g., July 1) and update at least monthly
- 6.A.5 Review financial benchmarks monthly to determine any financial adjustments or revisions to spending plans
- 6.A.6 Create dashboard for reporting financial health measures on the City's website
- 6.A.7 Develop training materials and tutorials on the importance of the health measures
- 6.A.8 Create analysis of the measures to communicate trends and impact for City leadership, City Finance Committee, and City Council

#### 6.B. *Reconcile monthly financial revenues and expenditures for City Departments and Component Unit agencies into the City's General Ledger*

- 6.B.1 Create inventory of balance sheet and general ledger entries required for all City Departments and Component Units for monthly and annual basis
- 6.B.2 Create current list of outstanding long-term liabilities and commitments for all City funds and Component Units
- 6.B.3 Create process to reconcile payroll, accounts payable and accounts receivable to the City's general ledger
- 6.B.4 Identify billed (cash drawn down requests) and uncollected (grant receivables) for City Departments and Component Units and reconcile to the General Ledger and Balance sheet
- 6.B.5 Identify reports that can be pulled directly from Munis to assist with reconciliation of revenues and expenditures
- 6.B.6 Determine analyses that need to be developed using data
- 6.B.7 Document process for pulling creating reporting monthly
- 6.B.8 Create monthly reports folder to document reconciliations completed
- 6.B.9 Review chart of account and Munis chart field options to improve grant reporting and reconciliations

### 7.0 Create multi-year financial plan

#### 7.A. *Create framework and process for development of multi-year financial forecasts*

- 7.A.1 Create Project Manager to lead process to develop
- 7.A.2 Inventory existing financial forecast models used by various City Departments
- 7.A.3 Review functionality in Munis budget planning to develop multi-year forecast (at least five years)
- 7.A.4 Create working team of professionals from Finance, Treasurer, Revenue, and Departments that are revenue "producers"
- 7.A.5 Create revenue manual of all revenue sources in the City budget
- 7.A.6 Document and adopt a cash management policy and related procedures



- 7.A.7 Develop forecast long-term revenue and long-term expenses with documentation on assumptions and trends
- 7.A.8 Review and set user fees, charges for services and utility rates
- 7.A.9 Identify long term obligations, unfunded liabilities, including OPEB, pension costs, labor increases and operating costs increases
- 7.A.10 Assess infrastructure condition and determine long-term maintenance, repair, and replacement needs
- 7.A.11 Determine long-term debt capacity
- 7.A.12 Conduct a general environmental scan that includes economic, community, and political/regulatory trends that may impact the organization's financial position
- 7.A.13 Identify and assess potential risks including those from natural disasters, economic shocks, or other societal issues that may cause financial distress
- 7.A.14 Identify strategies to take that will accomplish long-term financial planning targets and mitigate potential risks
- 7.A.15 Create multiyear model that allows for inputs into various economic, social, financial, and environmental attributes
- 7.B. Monitor financial results of Multi-Year Plan**
  - 7.B.1 Report plan forecasts in the Annual Budget
  - 7.B.2 Review Multi-Year forecasts with Financial Advisor for input and adjustments
  - 7.B.3 Review Multi-Year Plan (Forecast) with City Departments on quarterly basis for updates
  - 7.B.4 Submit quarterly update to the City Finance Committee, City Council and City Manager's Office
  - 7.B.5 Adjust annual spending requirements based on trends and year to date results
  - 7.B.6 Document applicable policies and procedures for multi-year financial plan development and monitoring

**8.0 Evaluate cash management & investment practices**

- 8.A Develop a detailed inventory of all cash collection mechanisms across the City**
  - 8.A.1 Identify prioritization for improvements in cash collections
  - 8.A.2 Develop pilot to test cash collection approach
  - 8.A.3 Finalize cash collection mechanisms
- 8.B Identify a strategy for centralized cash collections that meets the needs of the City and residents**
  - 8.B.1 Identify prioritization opportunities for centralizing cash collections
  - 8.B.2 Develop pilot to test approach
  - 8.B.3 Finalize cash collection mechanisms
- 8.C Document and adopt a cash management policy and related procedures**
  - 8.B.1 Identify prioritization opportunities for cash management policy and related procedures
  - 8.B.2 Develop pilot to test approach
  - 8.B.3 Finalize cash management policy and related procedures
- 8.D Determine the amount of cash the City needs to maintain in the bank accounts**
  - 8.D.1 Analyze the City's monthly and annual historical accounts payable and other obligations
  - 8.D.2 Analyze the City's future monthly and annual accounts payable and other obligations
  - 8.D.3 Establish limits for the amount of cash required for the accounts
- 8.E Negotiate with the bank to maximize interest earned on cash on hand**
  - 8.E.1 Identify opportunities to negotiate with banks to maximize interest
  - 8.E.2 Develop pilot to test approach
  - 8.E.3 Finalize approach to maximize interest earned on cash on hand with the bank



**8.F Evaluate eligible investment opportunities for excess cash**

- 8.F.1 Identify prioritization for improvements in investment opportunities for excess cash
- 8.F.2 Develop pilot to test investment opportunity approach
- 8.F.3 Finalize investment opportunities

**8.G Establish a separate bank account to manage School District funds**

- 8.G.1 Identify prioritization for developing separate bank accounts for the School District funds
- 8.G.2 Develop pilot to test approach
- 8.G.3 Finalize methodology for establishing account structure

**9.0 Identify alternative capital financing options**

**9.A. Prioritize capital projects and determine potential alternative financing options for each one**

- 9.A.1 Develop five-year CMIP to identify major infrastructure and capital equipment needs
- 9.A.2 Develop CMIP projects based on City Council goals and priorities
- 9.A.3 Review prioritized CMIP projects and identify funding source and financing alternatives

**9.B. Engage Financial Advisor to determine if the City meets the eligibility requirements of the Commonwealth's financing programs**

- 9.B.1 Review proposed prioritized CMIP projects with Financial Advisor to determine best sources of funding
- 9.A.2 Meet with the Commonwealth of Virginia on alternative funding sources for capital needs, outside of issuances of G.O. or Revenue debt
- 9.A.3 Present priority City CMIP projects to the Commonwealth for potential funding from the Virginia Resources Authority (VRA). VRA provides cost-effective financing options for Virginia municipalities, using revolving fund loans at below-market interest rates and to issue bonds using the strong credit quality of the Commonwealth
- 9.A.4 Present priority Hopewell School CMIP projects to the Virginia Public Schools Authority (VPSA):

**9.C. Identify appropriate Federal grants (e.g., FHWA - Transportation, EDA, EPA, Homeland Security, HUD, etc.), and apply for those where the City has eligible capital improvements**

- 9.C.1 Review priorities CMIP needs with Virginia congressional delegation to identify needs
- 9.C.2 Review grant opportunities posted through industry partners (e.g., National League of Cities, US Conference of Mayors, GFOA, ICMA, etc.) for listing of recently authorized grants
- 9.C.3 Hire professional grant writer to pursue opportunities

**9.D. Identify opportunities to pursue Public Private Partnerships to support capital projects and redevelopment opportunities**

- 9.D.1 Develop economic development strategy to support redevelopment of downtown properties and city owned assets
- 9.D.2 Explore privatization options with PPP developers of City assets and facilities to address capital infrastructure and operating needs
- 9.D.3 Create market feasibility and fiscal impact analysis for proposed PPP opportunities
- 9.D.4 Review PPP opportunities with Financial Advisor and Bond Counsel prior to any consideration by City Council

**10.0 Create an annual Priority Based Budget process (See Appendix B for added detail on tasks)**

**10.A. Establish City Goals and Strategic Priorities**

- 10.A.1 City Council to establish goals and service delivery/program priorities for the Community
- 10.A.2 Inventory City services to align to City Council goals and priorities
- 10.A.3 Present strategic plan with establish goals and service delivery/program priorities to Community and publish on website
- 10.A.4. Review City inventory of City services with City Council to determine focused areas for proposed budget year



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- 10.A.4. Review City Council goals and priorities with City Department leaders
- 10.B. Review Munis Project Activity Chartfield Structure**
- 10.B.1 Review the financial reporting hierarchy for the development of the proposed year budget
- 10.B.2 Align Department Munis organizational structures to City Council goals and priorities
- 10.B.3 Update Munis budget system and Munis financial system for new department hierarchy for the development of budget
- 10.B. Create Budget Guidelines (Preparer's Handbook)**
- 10.B.1 Create budget guidelines and budget preparer's handbook
- 10.B.2 Present City Council strategic plan with establish goals and service delivery/program priorities in the Budget Planning assumptions
- 10.B.3 Create budget planning calendar and submission checklist
- 10.B.4 City Manager message on budget priorities and process to align spending requests to Council approved goals and priorities
- 10.B.5 Overview of the planning process and submission requirements
- 10.B.6 Prepare electronic forms and completed examples to clarify the use and needs
- 10.C. Department Operational Action Plans**
- 10.C.1 Define budget program purpose and objectives
- 10.C.2 Define department objectives and key outcome measures.
- 10.C.3 Identify Opportunities to Streamline and/or Improve Service Delivery Processes
- 10.C.4 Identify Projected Budget Planning Assumptions and Cost Drivers
- 10.C.5 Functional Organizational Chart
- 10.C.6 Document employee professional development training needs
- 10.C.7 Create Department Workplan
- 10.C.8 Prioritization of Department services and projects
- 10.C.9 Create Department specific revenue estimates for charges for service, user fees and other revenues
- 10.C.10 Develop multi-year Capital Maintenance & Improvement Plan for Department
- 10.D. Priority-Based Spending & Financial Plans**
- 10.D.1 Develop and Quantify Resource Staffing Plans
- 10.D.2 Estimate Non-Labor Operating Costs (Operational Support).
- 10.D.3 Create Priority Based Financing Plans
- 10.E. Decision Packages for New Funding Priorities**
- 10.E.1 Document new spending Decision Packages
- a) Alignment to City Council approved goals and priorities
- b) Operational and Capital Needs to support City programs
- c) Department/Budget Program Prioritization of Services and Programs
- d) Availability of funding resources from various grant funding sources
- 10.F. City Council Review & Approval Process**
- 10.F.1 City Council proposed budget calendar and meetings to review and approval of the budget
- 10.F.2 Publication notices of proposed budget and public hearing
- 10.F.3 Council final approval prior to July 1
- 10.G. Budget Execution and Accountability Process**
- 10.G.1 Loading of approved budget into Munis General Ledger
- 10.G.2 Monitor of budget fund appropriations and department cost centers





- 10.G.3 Submit budget revisions to City Council as required
- 10.G.4 Submit new grant funding requests that may come outside of the budget cycle for approval
- 10.G.5 Perform analysis and reporting on budgets
- 10.G.6 Submit monthly Executive Budget Reports to Council including, at the minimum:
  - a) Annual Budget to Year-to-Date Actual comparisons for both revenues and expenses
  - b) Monthly Budget to Monthly Actual for both revenues and expenses
  - c) High level analysis of major trends and cost drivers
  - d) Changes in Staffing (Filled versus Vacant Positions)
  - e) Revenue collections versus planned
  - f) Key performance metrics and outcome measures

**10.H. Publish Approved Budget Book**

- 10.H.1 Create On-Line Budget Book following GFOA Distinguished Awards Program
- 10.H.2 Budget Book should include City Council approved strategic goals and priorities, approved financial policies, Multi-Year Revenue, and Capital Maintenance & Improvement Plan
- 10.H.3 Utilize budget reporting tool (Open Gov) to create budget book online

**Strategies to Improve the Financial Organizational Structure and Internal Control Framework (Task 3)**

**Organizational Assessment**

**11.0 Recruit, hire, and retain experienced and qualified Finance Department and City Treasurer's Office professionals**

- 11.A.1 Prioritize recruiting and hiring the current seven vacant positions (three from the Finance Department and four from the Treasurer's Office) and treat the cycle-time of the recruitment process with urgency
- 11.A.2 Determine the roles and responsibilities required for the Finance and Treasury team
- 11.A.3 Add two full-time City employees that are dedicated to supporting (1) financial reporting and analysis needs and (2) accounting support for reconciliation of the GL
- 11.A.4 Develop a recruitment strategy to attract a pool of highly qualified candidates for the vacant positions
- 11.A.5 Develop and implement an effective onboarding process to ensure that new hires are integrated effectively into the organization and are provided with the necessary training and resources to succeed in their roles
- 11.A.6 Develop a retention strategy to retain the experienced employees including compensation and benefits packages, professional development opportunities, and a positive work environment
- 11.A.7 Develop a succession plan to ensure that the organization is prepared for any turnover or retirement

**12.0 Develop a Service Delivery Model so City financial services are designed, organized, standardized, and delivered to meet the needs of City staff**

- 12.A.1 Design a service delivery model in collaboration with the Finance Department, Treasurer's Office and other City Departments that aligns with their the needs.
- 12.A.2 Implement a pilot program or a small-scale trial of the service delivery model to test its effectiveness.
- 12.A.3 Collect data and feedback from staff and stakeholders to evaluate the model's performance and identify areas for improvement
- 12.A.4 Create a detailed plan that outlines the steps, timelines, and resources needed to implement the service delivery model.
- 12.A.5 Provide training to staff who will be involved in delivering the services according to the model.
- 12.A.6 Implement service delivery model according to the implementation plan.



- 12.A.7 Regularly assess the performance of the service delivery model using established monitoring and evaluation processes. Collect data, analyze outcomes, and measure progress towards the defined objectives.

**13.0 Establish key department operation performance indicators**

- 13.A.1 Define a vision for performance measurement - how it will be used, what it will achieve, and by what timeframe - and develop objectives that align the process to the City's strategic plan and goals.
- 13.A.2 Create a pilot program of performance measures for the Finance Department and City Treasurer's Office.
- 13.A.3 Document data definitions for performance measures to ensure Departments will use the data consistently.
- 13.A.4 Establish a monitoring approach that enhances accountability and transparency with the City departments.
- 13.A.5 Share appropriate financial management information with the public through web-based dashboards
- 13.A.6 Conduct regular meetings to review performance data; regular reviews will enable a conversation to discuss what is - and is not - working.
- 13.A.7 Identify key operational performance metrics for the major program and services to monitor the effectiveness, efficiency, workload, and output efforts.
- 13.A.8 Create data warehouse to track key metrics.
- 13.A.9 Create dashboard to report key performance metrics with the City Finance Committee and City Council.
- 13.A.10 Deploy business improvements and/or internal control changes to improve financial and cash management, reconciliation, and reporting processes

**14.0 Establish financial management policies and procedures based on best practices**

**14.A Confirm master listing of financial management, accounting, cash management and reporting policies**

- 14.A.1 Create matrix on best practice policies and procedures and compare to existing inventory content
- 14.A.2 Designate a Project Manager to lead effort for the City Treasurer's Office and Finance Department
- 14.A.3 Create working teams within Finance and City Treasurer to develop content
- 14.A.4 Conduct testing on the new policies and procedures to ensure they are working as intended

**14.B. Develop an implementation plan for new policies and procedures including communication, training, and timelines**

- 14.B.1 Create standardized template to develop new management policies and procedures based on best practices
- 14.B.2 Develop content and supporting documentation with internal review sessions
- 14.B.3 Submit policies to City Attorney Office for review and alignment to City Code and Commonwealth statutes and regulations
- 14.B.4 Submit for review and discussion with City Finance Committee
- 14.B.5 Submit formal policies to City Council for formal approval
- 14.B.6 Review the policies and procedures regularly to ensure they remain up to date and aligned with best practices and make necessary adjustment if required
- 14.B.7 Deploy a change management plan addressing communication and training of employees
- 14.B.8 Communicate the new policies and procedures to all staff members involved in financial management, including those outside the Finance Department
- 14.B.9 Schedule training to all relevant staff members on the new policies and procedures to ensure they have a comprehensive understanding and can apply them effectively



- 14.B.10 Establish a monitoring process to ensure that the new policies and procedures are being followed effectively and any issues are addressed promptly
- 14.B.11 Review the policies and procedures regularly to ensure they remain up to date and aligned with best practices and make necessary adjustment if required
- 14.B.12 Annually review the adopted Financial Management Policies as part of the Annual Budget submission process
- 14.B.13 Establish annual and new employee onboarding training for all employees with financial responsibilities on policies
- 14.B.14 Establish certification process from Department heads and staff responsible for financial management operations to agree to compliance of adopted policies

**15.0 Improve internal controls**

**15.A Conduct a detailed internal controls review for the City of Hopewell**

- 15.A.1 Identify and prioritize internal control weaknesses that include but are not limited to the following items identified during the A&M Review:
  - a) Segregation of duties between processing Accounts Payable transactions and approval
  - b) Timely reconciliation of accounting disbursements and receipts with monthly bank statement balances (by fund)
  - c) Timely posting of journal entries in Munis
  - d) Monthly and Annual review of liabilities; identification and quantification of all liabilities including utility rebates
  - e) Perform Adjusting Journal Entries for Year-end Close
  - f) Post Year End Journal Entries
  - g) Prepare Financial Statements
- 15.A.2 Define the sequence for implementation of internal control improvements
- 15.A.3 Design future state segregation of duties and/or business processes to implement internal control improvements
- 15.A.4 Develop or enhance existing job descriptions to clarify roles and responsibilities that are changing as a result of internal control improvements
- 15.A.5 Develop an implementation plan for the internal control improvements
- 15.A.6 Identify Process Owners for each internal control improvement
- 15.A.7 Revise the project schedule for implementation of internal control improvements based on feedback from the Process Owners
- 15.A.8 Implement internal control improvements

**16.0 Centralize cash management collections and reconciliation process**

**16.A Standardize cash management collections and reconciliation process**

- 16.A.1 Document calendar for closing process
- 16.A.2 Identify opportunities to enhance dept ownership of financials and closing processes
- 16.A.3 Provide training to staff that will be supporting closing processes
- 16.A.4 Implement month-end processes and refine through continuous process improvement
- 16.A.5 Implement year-end processes and refine through continuous process improvement

**17.0 Centralize AP intake practices**

**17.A. Create Change Management Plan to communicate, train and develop new operating procedures**

- 17.A.1 Define what Centralize AP intake means to Departments and Suppliers/Vendors
- 17.A.2 Create SharePoint like "in-box" for all Invoices to be centrally sent
- 17.A.3 Create workflow review and approval process



- 17.A.4 Create a Vendor Invoice Form to be attached to all centrally submitted invoice with required information to process invoice
- 17.A.5 Review new process with City Departments to outline new business processes
- 17.A.6 Update PO forms to ensure AP department and address are designated as the "bill-to" address
- 17.A.7 Notify suppliers and vendors of new centralized invoice Email Address
- 17.A.8 Communicate centralized intake process in Supplier and Vendor contracts
- 17.B. *Create new operating procedures for centralized invoice review and approval process***
  - 17.B.1 Document new procedures and hold internal training sessions
  - 17.B.2 Create process for invoices to be routed directly to Accounts Payable for prompt entry into Munis and use the system to handle workflow approval routings
  - 17.B.3 Communicate to suppliers that they should send invoices to the AP department and address with reference to PO#
  - 17.B.4 Develop a policy to ensure that purchase orders are created in advance of the receipt of goods or services
  - 17.B.5 Reject invoices that do not reference a PO, except for approved policy exceptions (e.g., debt service payments, Utility Rebates, refunds)
  - 17.B.6 Establish training on approved policies and procedures
  - 17.B.7 Develop a system for tracking invoice processing times to identify areas for improvement and ensure invoices are processed in a timely manner
  - 17.B.8 Regularly review and update AP policies and procedures to ensure they remain effective and efficient in meeting the City's needs

**18.0 Assess the City's current use of Munis Fixed Asset module and fit/gap against best practice**

**18.A. *Create fact base of current process and procedures for recording fixed assets***

- 18.A.1 Meet with Accountant who is currently managing fixed asset accounting
- 18.A.2 Create workflow of current process and procedures
- 18.A.3 Review working papers and validate postings in the General Ledger
- 18.A.4 Review policies and procedures for capitalization and depreciation of capital assets

**18.B. *Review current Munis system functionality for recording of assets (Fit-Gap Analysis)***

- 18.B.1 Review current Munis Chart of Accounts to record assets
- 18.B.2 Review current system options to record assets at the time a purchase order is created
- 18.B.2 Review best practices of other Munis local governments to optimize the best practices
- 18.B.3 Review Munis user manuals and guides to support process improvements

**18.C. *Design and implement enhanced fixed asset managed process***

- 18.C.1 Create future state business process and procedures for the automation of fixed asset accounting
- 18.C.2 Review pricing options for fixed asset module utilization and annual licensing costs
- 18.C.3 Develop implementation plan and strategy for short and long term automation deployment
- 18.C.4 Create Change Management Plan to communicate, train and develop new operating procedures

**19.0 Leverage automation tools to support account reconciliations and period-end tasks**

**19.A. *Validate period-end reconciliation, reporting and accounting tasks and responsibilities***

- 19.A.1 Define year-end and month-end closing activities per Recommendation 4 in the Assessment of the City's Financial Audit Reporting and Internal Control Processes section of this assessment report in order to get checklists of activities for each type of period-end close
- 19.A.2 Validate roles and responsibilities for each of the tasks on checklist are clearly defined



- 19.A.3 Review which General Ledger accounts are to be reconciled each month and the steps and data to be reconciled (e.g., reconcile ledger balance of AP Account 210101 to open invoices in the AP sub-ledger)
- 19.A.3 Create tracking process to monitor tasks and assignments
- 19.B. Assess Munis system functionally for period-end (month and annual) closing processes**
  - 19.B.1 Analyze functionality available in Munis for tracking month-end tasks and progress of completion
  - 19.B.2 Develop tracking tools to monitor tasks (e.g., use of excel or system functionality)
  - 19.B.3 Evaluate Munis functionality for assisting with tracking account reconciliations
- 19.C. Implement new automation support tools for reconciliation process**
  - 19.C.1 Create tracking process to monitor tasks and assignments
  - 19.C.2 Define manual steps for account reconciliations (e.g., reconciliations in Excel and store monthly recs in network file folders or SharePoint folders) and begin using manual process as a stop-gap
  - 19.C.3 If find Munis has limited support of reconciliations, then build business case to evaluate other tools (e.g., Blackline, Floqast) to support account reconciliations
  - 19.C.4 Create Change Management Plan to communicate, train and develop new operating procedures

## ERP Implementation

### 20.0 Align financial and accounting business processes and chart of accounts to ERP functionality

#### 20.A Organize team for project initiative

- 20.A.1 Develop staffing plan
- 20.A.2 Identify roles and responsibilities of the team
- 20.A.3 Share staffing plan with the City for confirmation
- 20.A.4 Finalize team

#### 20.B Align on finance business process activities and future state roles and responsibilities

- 20.B.1 Document process activity map for current state of each functional operation within Finance and Treasury
- 20.B.2 For each process activity, define supporting technology (e.g., Munis, Spreadsheet, SharePoint, Bank Portal, Workflow approval)
- 20.B.3 Define future-state process activity map and identify any enhanced technology functionality (e.g., imaging, automated workflow, reporting, use of module within ERP) desired to support
- 20.B.4 Align on desired future state organization roles and responsibilities for each process activity
- 20.B.5 Review and refine future-state with City Manager and City Finance, Treasury, IT and Department/Component Unit leadership to identify priority areas of focus

#### 20.C Build Fact Base

- 20.C.1 Identify metric candidates for measuring financial operations efficiency and monitoring controls (e.g., % of AP invoices received electronically, % of AP invoices received centrally by Finance AP Department, % of AP invoices rejected because no PO reference, % of AP invoices paid on time, average # days between supplier invoice date and AP invoice Munis entered date, average # days between invoice entry and invoice approval and posting, invoices processed per month per FTE, # adjusting JE's, Aging AR, Days till issuance of ACFR following year-end)
- 20.C.2 Meet with City Manager and City Finance, Treasury, IT and Department leaders to review and refine measurement metrics
- 20.C.3 Finalize measurement metrics

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- 20.C.4 Measure financial operations to establish baseline against which impact of process, organization and technology optimization initiative can be measured
  - 20.C.5 Review ACFR financial statement reports and assess how current chart of accounts structure maps to statement lines
  - 20.C.6 Through data requests and workshops with Finance, Treasury, Department and Component leadership, identify baseline of desired financial reporting (in addition to ACFR statements)
  - 20.D Identify Munis Gaps and Opportunities**
    - 20.D.1 For prioritized functional financial operations areas, conduct detailed comparison of current-state versus desired future-state and identify gaps and opportunities
      - 20.D.1.a Review and assess Munis module ownership and available functionality against City's actual use of Munis functionality (e.g., own ACFR statement builder but not using, not adding/maintaining/depreciating assets within fixed asset module)
      - 20.D.1.b Assess gaps between current versus future state and opportunities for optimizing business processes through more effective alignment with available Munis workflows and functionality (e.g., electronic receipt of invoices and routing for approvals within Munis, calculation and application of penalties and interest to overdue customer receivables items, KPI dashboards, Month-end Manager workbench, Account Inquiry)
      - 20.D.1.c Assess gaps in current chart of account design regarding supporting financial reporting and opportunities for improvement (e.g., rationalizing similar account values, tracking fiscal year in manner other than the Natural Account to minimize impact on report design templates, obsolete Department/Division/Program)
      - 20.D.1.d Assess which identified future-state reporting can be built in Munis ACFR Statement Builder and which are better built with another tool or dashboard
      - 20.D.1.e Review security profiles for all users, including IT support, to ensure alignment with role responsibilities and proper serration of duties
      - 20.D.1.f Review backup/disaster recovery policies and procedures and assess gaps
    - 20.D.2 Size scope, resources required, timeline and cost of initiatives to close gaps and accomplish improvement opportunities
    - 20.D.3 Size organization value gained from each initiative
    - 20.D.4 Identify potential risks to initiative scope, timelines, cost and identify mitigation strategies
    - 20.D.5 Identify "Quick Hit" initiatives that have low cost and time to implement with quick value return  
(e.g., building out financial statements using Munis ACFR Statement Builder)
    - 20.D.6 Rank initiatives based on value, cost, time to implement, expected time to reach optimization result, and risk
    - 20.D.7 Align Finance, Treasury, Departments, and IT on assessing gap/opportunity ERP initiatives and organization resources required during detailed design, implementation, and deployment phases of the initiatives
  - 20.E Gain City Council approval and mobilize to implement prioritized initiatives**
    - 20.E.1 Prepare agenda materials for City Council needing approval
    - 20.E.2 Engage City business leads to own specific initiatives
    - 20.E.3 Engage additional Munis or outside consultant required resources
  - 20.F Execute on ERP functional optimization plan**
    - 20.F.1 Create workplan and implementation strategy
    - 20.F.2 Review data requirements and business process changes
    - 20.F.3 Create user testing acceptances strategy
    - 20.F.4 Establish quality control review process



- 20.F.5 Complete independent verification and validation of system go-live implementation plan and results
- 20.F.6 Create and implement change management plan
- 20.F.7 Update internal operating process and procedures

## 21.0 Implement Munis process and user procedure guides

### 21.A. *Develop change management plan to integrate Munis procedure guides into documented procedures and training materials*

- 21.A.1 Engage the City's ERP Administrator to own and manage the overhaul of Munis process and procedure documentation and end-user training
- 21.A.2 Get quote from Munis on engaging their Business Process Consultants to do lead working with Finance, Treasury and Department users of Munis and build out the business process and procedure documentation for each functional area
- 21.A.3 Assess alternative resource options for building Munis business process and procedure documentation
- 21.A.4 Create project plan for building out process and procedure documentation and set Cash Management and Reconciliation as top priority
- 21.A.5 Evaluate resource options for executing project, decide and engage consultants
- 21.A.6 Conduct kick-off with business community (e.g., Finance, Treasury, Department managers)

### 21.B. *Establish annual review and program evaluation of City training needs with Munis process guides*

- 21.B.1 Create online portal to hold documentation and make it easily accessible to City staff
- 21.B.2 Establish periodic quarterly internal training sessions offered to City staff, in addition to leveraging PACE training program
- 21.B.3 Establish annual review meetings with Finance, Treasury, and Department directors/managers to assess how the revised Munis user engagement program is progressing and improving users' experience with Munis

## 22.0 Assess capital improvement strategy to move Munis ERP to cloud Software-as-a-Service (SaaS) from on-premises operating solution

### 22.A. *Asses the costs required to move Munis ERP to SaaS*

- 22.A.1 Review sales quotation from Tyler on Cloud SaaS annual fee
- 22.A.2 Ensure all relevant costs are included in the business case such as licensing, hardware operating and replacement or lease costs, operating systems, database, IT employee regular operational support costs, differences in employee costs for upgrades (both IT and business) under one model versus the other, outside contractor costs, migration to cloud costs of both IT and business resources

### 22.B. *Build business case to support rationale for the capital improvement strategy*

- 22.B.1 Create business case evaluating total cost of ownership (TCO) under the two scenarios: a) continuing with on-premises operating model, b) migrating to Cloud SaaS model
- 22.B.2 Align executive team on value of initiative
- 22.B.3 Scope project for level of internal and external resources and duration
- 22.B.4 Consider key business dates (e.g., annual audit, tax bill issuance and payment collection) and evaluate feasible timing during the year when project could start and finish to mitigate risk of impacting business functions
- 22.B.5 Finalize business case and project plan
- 22.B.6 Present capital plan to City Council

## Strategies to Improve Wastewater Treatment Facility Rebate (Task 4.)

### 23.0 Evaluate use of outside revenues for inclusion in rebate calculations

#### 23.A. *Verify prior year and current year miscellaneous revenues*





- 23.A.1 Confirm requirements for calculating miscellaneous revenues
- 23.A.2 Run Munis reports to summarize miscellaneous revenues
- 23.A.3 Identify areas here miscellaneous revenues may require adjustments
- 23.A.4 Calculate prior year and current year miscellaneous revenues
- 23.A.5 Submit results to Finance Director / Facility Director to confirm results
- 23.B *Perform analysis on impact of miscellaneous revenues to cash balances of the enterprise fund***
  - 23.B.1 Confirm requirements for pulling cash balances of the enterprise fund
  - 23.B.2 Run Munis reports to summarize cash balances of the enterprise fund
  - 23.B.3 Perform analysis on impact of miscellaneous revenues to cash balances of the enterprise fund if they included in the rebate calculation
  - 23.B.4 Submit results to Finance Director to confirm results
- 23.C *Review revenue analysis with City Council and Manufacturers to clarify financial impact to the cash balances of the enterprise fund***
  - 23.C.1 Develop briefing summarizing analysis and present to the Commission. In the analysis, outline the benefits and costs by stakeholder and how each will be impacted, identify actionable that need to be made, and present a timeline for when a decision must be finalized
  - 23.C.2 Document the Commission's decision and present to the City Council for input
  - 23.C.3 Document City Council's decision
- 23.D *Amend City Ordinance and Manufacturer agreements based on any financial decisions on the inclusion of miscellaneous revenues in the rebate calculations***
  - 23.D.1 Coordinate with the City Attorney Amend the City Ordinance
  - 23.D.2 Submit to Commission for review and approval
  - 23.D.3 If approved, submit to City Council for review and approval
- 23.E *Create monthly reports for the City Council and Commission on the financial operations of the facility (budget to actuals for both revenues and expenses and flow volume)***
  - 23.E.1 Develop draft status report and recommended KPIs for tracking financial operations of the facility
  - 23.E.2 Present draft status report and recommended KPIs to the Commissions and City Counsel for feedback
  - 23.E.3 Schedule monthly session to present updates
  - 23.E.4 Post Commission meeting notice, agenda's, minutes, and summary of actions on the City's website

**24.0 Develop capital and operating improvement plan for the wastewater facility**

- 24.A *Develop/update multi-year capital project and operating budget estimates for Wastewater Treatment facility***
  - 24.A.1 Update multi-year capital project and operating budget forecast based on the updated rebate calculations
  - 24.A.2 Provide updated budget forecast to Dew Berry Associates (the engineering firm responsible for delivering capital improvement plan (CIP))
  - 24.A.3 Identify outstanding actions required for finalizing the CIP
  - 24.A.4 Coordinate facilitated discussions to address Manufacturer concerns with the CIP
  - 24.A.5 Finalized CIP
- 24.B *Review operating and capital improvement requirements with City Council and Commission***
  - 24.B.1 Present proposed CIP to the Commission for formal acceptance.
  - 24.B.2 Update and finalized CIP based on the Commission's feedback
  - 24.B.3 Present proposed CIP to the City Council for formal acceptance.





- 24.B.4 Update and finalized CIP based on the City Council feedback
- 24.C Complete cost of service analysis to create rate model for funding future year operating and capital improvement needs**
  - 24.C.1 Confirm requirements for pulling data to support cost of service analysis
  - 23.C.2 Run Munis reports to summarize results
  - 24.C.2 Perform cost of service analyst analysis to show impact on the capital improvement needs
  - 23.C.3 Submit results to Finance Director and Facility Director to confirm results
- 24.D Revise budget process to include all enterprise related revenues and expenses (both operating and capital)**
  - 24.D.1 Confirm budget process requirements
  - 24.D.2 Submit update to the budget
  - 24.D.3 Address outstanding items
- 24.E Review cost of service analysis with City Council and Commission for formal approval**
  - 24.E.1 Present updated cost of service analysis to the Commission for formal acceptance.
  - 24.E.2 Update and finalized cost of service analysis based on the Commission's feedback
  - 24.E.3 Present proposed cost of service analysis to the City Council for formal acceptance.
  - 24.E.4 Update and finalized cost of service analysis based on the City Council feedback
- 24.F Update annually the operating and capital spending needs for the Wastewater facility**
  - 24.F.1 Follow updated guidance coming out of recommendation 24.D
  - 24.F.2 Post Commission meeting notices, agenda's, minutes, and summary of actions on the City's website

**25.0 Estimate prior year Manufacturer Rebates using unaudited financials with true-up when audits are complete**

- 25.A Leverage unaudited financials to support issuing rebates**
  - 25.A.1 Create budget to actual reports for operating and capital expenditures and revenues for the periods of FY 2019 to FY 2022
  - 25.A.2 Update the Departments rebate model based on the unaudited revenue collections and expense actuals (operating and capital)
  - 25.A.3 Review prior fiscal year rebate model results with the Commission and City Council
  - 25.A.4 Determine if a "reserve" amount should be included in the rebate calculations to budget for any future capital improvements (See Recommendation 2) while the CMIP is being developed
  - 25.A.5 Create true-up process for when FY2019 to FY2022 audits are complete
  - 25.A.6 Post Commission meeting notices, agenda's, minutes, and summary of actions on the City's website

**Strategies to Improve Accountability for Federal COVID Relief Grant Funds (Task 4)**

**26.0 Create monitoring system to ensure COVID SLFRF are aligned to approved grants uses**

- 26.A Improve monitoring and reporting of Federal COVID Relief Funds**
  - 26.A.1 Review expenses for current expenses and encumbrances to ensure alignment with federal grant fund approved uses
  - 26.A.2 Document uses in revenue recovery in the FY 2023 budget
  - 26.A.3 Create plan for the remaining unobligated uses of COVID related grant funds by December 2024
  - 26.A.4 Develop cross walk matrix for quarterly reporting to the Commonwealth and annual reporting matrix to the US Department of Treasury
  - 26.A.5 Develop monitoring system for any federal grant funds provided to external community agencies
  - 26.A.6 Create grant management policies and procedures



**27.0 Add one (1) new Grants Management Officer to streamline the process of monitoring, managing and application of new grants**

Reference Recommendation 11 - Recruit, hire, and retain experienced Finance Department and City Treasurer's Office professionals for actions (Task 3 - Organizational Assessment)



**APPENDIX A – LIST OF INTERVIEWEES**

A&M’s review of the City included many interviews, both onsite and via conference call with key officers, leaders, staff, and selected external parties as recommended by the Commonwealth. To ensure that the report, including any recommendations, are fact-based and actionable, developing a strong understanding of the City was essential to this review. An overview of the interviews conducted is summarized in the chart below.

**Figure 59: Overview of Interviews Conducted**

City Departments & External Stakeholder	Positions
City Leadership	City Mayor, Acting City Manager and City Attorney
Finance Department	Finance Director, Assistant Finance Director and Accounting Manager
Procurement	Procurement Manager
Treasury	Treasurer, Sr. Accountant and External Sr. Accountant (Reconciliations)
Commonwealth Children Welfare Agency	OCS Executive Director and CSA Director
Information Technology	IT Director, Manager, ERP Administrator and Network administrator
Hopewell Finance Committee	Two City Councilors
Commissioner of Revenue	Master Chief Deputy
Hopewell Public Schools	Superintendent of Schools, Deputy Superintendent, Director of Finance and Coordinator of Finance/Accountant
Wastewater Facility Department	Director, Deputy Director, and Enterprise Accountant
Commission of Revenue	Assistant Director
Commonwealth of Virginia: Office of Public Audits	Three state APA officials
Commonwealth of Virginia: Children Welfare Services	Two state CWS officials
Children Welfare Agency	Director of CWS
Virginia House of Delegates	District 62 Delegate
Robinson, Farmer, Cox Associates	Lead Engagement Partner and Auditor
Westrock (Industrial Partner)	Associate and Industrial partner lobbyist
Davenport & Company LLC	Financial Advisor
Tyler Munis	Tyler Munis Regional Support Manager

In addition, a focus group was held with various department directors and fiscal support staff with 24 staff attending to gain understanding of challenges and hurdles with the current Munis system and level of support from the City Finance Department and City Treasurer’s Office.

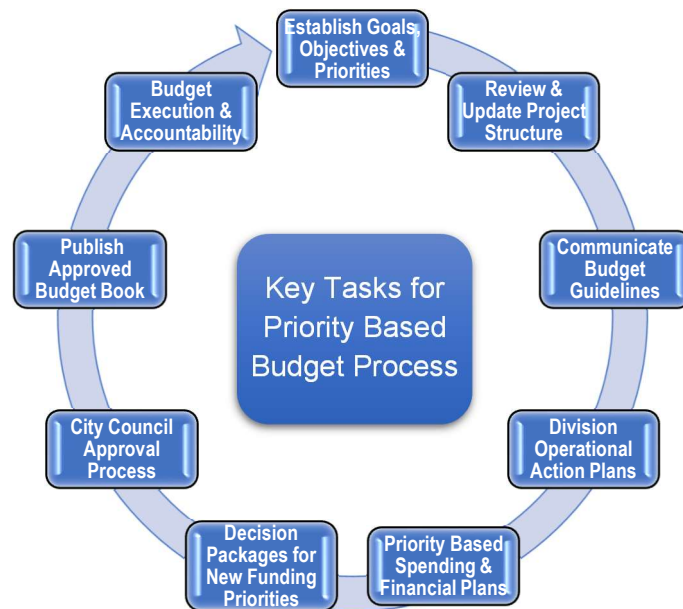
**APPENDIX B – BUDGET PROCESS**

This Appendix outlines a future fiscal year approach for the City’s annual operating and capital budget planning process. The goal of this process is to align resources with key strategic programs and priorities as opposed to simply basing budgeting decisions on the previous year’s funding levels.

The future state annual budget planning process is based on Priority-Based Budgeting principles and best practices. The process will align the City’s operational and support needs with available resources. It will also provide for the ongoing review of the City’s goals, priorities, and performance to ensure financial resources are meeting the day to day and long-term programmatic needs. This work involves:

- Developing and modifying the City’s organizational mission and goals.
- Establishing strategic program goals and program delivery priorities, based on the mission and goals of Mayor and City Council.
- Efficiently identifying the most desirable programs to be placed in operation.
- Creating “bottoms-up” budget estimates based on the estimated cost in providing the priority services.
- Allocating the appropriate level of resources to each program.
- Monitoring and evaluating each program during and at the end of its operation.
- Reporting the effectiveness of each program.

**Figure 60: Future State Budgeting Process**



The figure above reflects the nine key steps of the recommended Hopewell Annual Planning Process. Detail on each step is provided in below.

**Task 1. Establish Goals, Objectives & Priorities (Strategic Plan)**

Each year, the City Council is responsible for setting key goals, objectives, and priorities for the City. The priorities should provide clear direction to Hopewell Department leadership on the services, programs, and delivery needs for the forthcoming budget cycle. The goal setting process should also align the City’s program service delivery to the Mayor and City Council goals and priorities. Department Directors will solicit input from their Budget Program areas to provide insight during City Council and City Manager’s Office planning sessions.

An Executive Team in consultation with stakeholders should rank priorities based on defined criteria (e.g., criticality, urgency, and necessity to serving citizens) and decide if a new or



changing program area will be funded. The Executive Team takes a 'wish list' and refines it so that critical and necessary resource requests are given priority.

This process should also describe investment priorities for operational and programmatic areas to support the City's goals. The annual Strategic Plan provides guidance on operating and capital initiatives for new budget requests and aligning baseline adjustments with operational priorities.

The Strategic Plan development process supports the other required one-year and multi-year strategic plans that the City creates for various program areas (e.g., CDBG Action Plan, etc.)

The City's Strategic Plan should be based on discussion and meetings with the Mayor and City Council and prepared by the City Manager Office with input from each Department heads. The owner of the Strategic Plan is the City Manager.

**Timeline:** The development of City goals and priorities (Strategy Plan) should be complete by **October 15 each year** for services to be provided starting July 1 the following fiscal year.

### **Task 2. Review & Update Munis Project Structure**

Annually, the City's Finance Department Budget & Financial Planning Unit (Budget Team) should meet with the Executive Leadership Team to review the financial reporting hierarchy for the development of the proposed year budget. The project hierarchy review should be based on the strategic plan and priorities for the proposed budget year.

Any proposed modifications should be presented to both the Finance Department and Information Technology Department Munis Enterprise Team for formal approval by the Munis ERP Governance Review Committee (for any changes to either Budget Summary Levels and/or Budget Programs). The future year budget structure should align to the program priorities outlined in the Strategic Plan. Budgets should be developed within the Munis budgeting systems.

**Timeline:** The review and update to the Department Project Hierarchy Structure should be completed by **November 15 each year** for services to be provided starting July 1 the following fiscal year. Additional changes may be required each year based on the outcome of the Prioritized Spending and Financial Plans (See Task 4. And Task 5.)

### **Task 3. Communicate Budget Guidelines & Planning Assumptions**

After the completion of the Annual Strategic Plan, the Budget Team prepares formal guidance for Department staff on budget planning submission and holds a Budget Kickoff Meeting with all Department Leadership staff.

The Budget Preparer's Guidebook includes:

- A message from the City Manager priorities for the proposed budget year based on the City Council approved strategic goals and priorities
- Documentation of the major planning assumptions
- Identify priorities and service levels for operating programs
- Overview of the planning process and submission requirements
- Copies of all electronic forms and completed examples to clarify the use and needs
- Proposed Budget Year Munis project hierarchy structure



- Reference materials including explanation of the various chart of accounts expense object codes
- Glossary of Terms
- Approved City of Hopewell Budget Planning Policies

The Budget Preparer's Guidebook serves as a training tool and resource guide for Department /Program Managers as they develop and administer the annual spending plans. In addition to the guidebook, the Budget Team produces a budget calendar at the outset of the planning process to help manage stakeholder input. The Budget Calendar will:

- Communicate key dates, review points, and important deadlines
- Outline the role, responsibilities, assignment, and owner of each task
- Allow stakeholders to visualize where their input is needed in the overall budget process
- Help stakeholders maintain accountability for their role, as well as help keep the budget process moving forward in a timely manner

**Timeline:** The Budget Preparer's Handbook and budget calendar should be distributed **by November 25** of each year.

#### Task 4. Department Operational Action Plans

Each Department will produce an Operational Action Plan that represents their annual work plan including project. The purpose is to define the strategic mission, goals, and program objectives for each Department. The Operational Action Plan is the blueprint for the justification of all annual appropriation requests and includes the budget justification required in the City's annual budget submission. The nine major components are:

1. **Budget Program Purpose and Objectives.** This is a defined statement on the purpose and objectives for each proposed budget program and project that is aligned to the Department's priorities. It should include an inventory listing (e.g., catalog) of the various services that the budget program project will provide and the consumers of the services. This should include a comprehensive statement of purpose and should define what an organization does and whom it serves.
2. **Objectives and Key Outcome Measures.** Departments should identify objectives and key outcomes for each program area. This will help justify the continuation of the Service or Operating Program/Activity or to request additional funding. Key Results are performance indicators that measure whether the Department is meeting the program Objectives.
3. **Opportunities to Streamline and/or Improve Service Delivery Processes.** Each program should submit program initiatives to streamline and/or improve internal business processes. This section should examine and present cost savings and program efficiency opportunities to improve the delivery of program and support services.
4. **Projected Budget Planning Assumptions and Cost Drivers.** Each program should submit detailed documentation, justification, and narrative discussion of major planning assumptions and cost drivers.
5. **Functional Organizational Chart.** Each program should provide a copy of the Department/Division/Program proposed functional organizational chart reflecting the

major services and processes within each program area. Full-time Employee resource levels should be assigned to each organizational unit (by services and processes).

6. **Employee Professional Development Training Needs.** Department Directors/Managers should assess employee professional development needs on an annual basis and develop a training and travel plan around key priorities and workplan needs.  
  
The annual training plans should be aligned with the City's goals and priorities and any new training requirements should be focused on improving service delivery and/or operating needs. The plans should identify how training needs align to the City's strategic objectives and work plans. Division Managers should identify the resource plan for the execution of the training including internal and external support and estimated annual funding requirements.
7. **Department Workplan.** Each Department Director should submit proposed workplans that align to the services and projects that are proposed to be undertaken in the proposed budget year. The Workplan should be used for determination of sufficient staffing resources to meet the operating and capital spending demands.
8. **Prioritization of Services and Projects.** Within each budget program, all services and projects should be prioritized and ranked according to the City's established goals and priorities. The Executive Team will review the analysis to determine which operating projects (and CIP projects, if applicable) can be recommended for funding in the proposed budget year.
9. **Revenue Estimates.** Departments that have self-generating revenues (e.g., fees and charges for services, fines, customer utility rates, business licenses, building and planning permits, etc.) should submit revenue estimates to the Senior Budget Analyst with the submission of the Operating Plan. The Budget Office will provide a template that reflects prior year actual revenue collections. Departments will provide both a current year revised budget estimate and proposed budget year revenue estimate. The template will include narrative discussion of the cost and economic assumptions for each major revenue type and/or type.
10. **Capital Maintenance & Improvement Plan.** Departments should submit a five-year CMIP needs for major equipment and infrastructure needs to support and maintenance the City's capital assets. The CMIP submissions should include a five-year estimate of major asset needs including new, replacement, and capital maintenance needs.

The CMIP should identify the major cost components including Planning, Engineering & Design, Construction, Inspection, and Close out that are aligned with expense object costs. The CMIP template to be provided by the Budget Team will include identification of any future operating costs that may be impacted by the CMIP improvement and/or delay,

Departments will be requested to also submit how the proposed CMIP initiative is aligned to the City Council priorities. Additionally, a resource funding plan will be required for each CMIP initiative.



### Timeline:

- **Templates:** The templates to develop the Operational Action Plans should be distributed by the Budget team **no later than November 30** of each year
- **Plan Submission & Review:** Division Directors (or equivalent) should develop the key components of the Operational Action Plan **no later than December 30** each year with internal review with the City Manager's Office and the Finance Department
- **Executive Team Review:** The City Manager's Office and Executive team will review the plans and analysis to determine which operating projects can be recommended for funding in the proposed budget year in early January prior to the submission of the Priority Spending & Financial Plans

### Task 5. Priority-Based Spending & Financial Plans

The City's Budget Team should develop the proposed fiscal year budget using a detailed Priority-Based Resourcing (PBR) approach for all operating and capital spending projects. The PBR plan will be from a bottom-up review and justification of expenses at the "account and/object" of expense level for personnel, services, supplies, and capital needs. PBR can only be performed once priorities and projects have been identified and ranked.

Task 5 includes four subtasks:

1. **Develop and Quantify Resource Staffing Plans.** Based on the City's adopted strategic priorities (including any technology needs), Department Directors are responsible for developing Resource Staffing Plans. The Resource Staffing Plan will serve as a key input to the operating and capital PBR Plans.

At the outset of developing Resource Staffing Plans, Department Directors should define the levels of service to be provided. They should effectively gauge and set the demand for a service – "Demand Setting."

The Resource Staffing Plan identifies required positions to support the defined service levels. The Plan should also identify whether the position is currently filled, vacant, or a new position requirement. Each Department/Budget Program should also identify positions that are proposed to be eliminated or transferred to another program. Any Department proposed reorganization must be submitted annually with the Resource Staffing Plans. The Plans should also identify all existing temporary positions.

This process should also include a review of the current job description for each position to ensure that duties are still current and the assignment of time to tasks is still accurate. The Resource Staffing Plans should include a detailed bottoms up review (e.g., zero-based) of all authorized positions including a review the program functions and activities being performed by the staffing resources. This review will r validate that program staff is assigned only to priority projects and services. This will also allow the Departments to ensure that staffing resources are properly assigned to the most essential and priority projects/services.

2. **Estimate Non-Labor Operating Costs (Operational Support).** Non-Labor operating and maintenance (Operational Support)) spending needs should be built from the bottom up with supporting detail of the cost drivers (e.g., supplies, materials, contractual service needs, professional services, office supplies, equipment maintenance costs, etc.) that comprise each of the detailed projects.

All baseline budget submissions will be developed at the primary account code level with detailed justification for requested spending priorities. The budget process should include full justification of all supplies, materials, operating contracts, and administrative contracts including the spending purpose, funding sources, and term of the proposed contract if multi-year.

The proposed budgets should include detailed supporting worksheets to show how the operating support cost estimates are formulated. The budget estimates should identify the cost drivers and assumptions.

Additionally, the Spending Plans should identify an expenditure category as either a fixed, recurring variable, one-time, or aspirational.

By identifying the spending plan for each priority-based project, service, and initiative, it is easier for budget decisions to be made if budgets are reduced due to limited funding in a fiscal year or if dollars need to be shifted to fund other priorities.

- 3. Priority Based Financing Plans.** A portion of the City's budget is funded by various State and Federal grant sources (non-General Fund). Some Grants are multi-year, some are recurring one-year Grants, and others are one-time Grants. Each Grant has specifics about what the funds can be used for. Other grants may have limits on the amount or types of administrative overhead costs charged.

Each Department should develop a Financial Plan for the proposed fiscal year. The plan should include details about the following: grant title, grantor agency, award amount, period of performance (start and end dates), anticipated signed award date, allowable direct costs, and allowable indirect (administrative) costs.

Any new grant awards being proposed within a Fiscal Year, outside the annual budget planning process, should include the preparation of a Spending Plan and Financial Plan for internal review and formal approval by City Council. Any new grant award should also be aligned to the City's defined priorities and goals that the Departments Strategy Plan. One-time grant awards should be used to start programs that will span multi-years after the grant award expires.

**Timeline:** The Spending & Financial Plan needs **to be completed by February 1** for review with the City Manager and Executive Team-no later than March 10. After March 10, the Budget Team will finalize the proposed fiscal year budget for the City **Manager to present no later than March 31** each year.

#### **Task 6. Decision Packages for New Funding Priorities**

Any new spending needs above the proposed baseline budget will need to be presented (Decision Packages) to the Budget Team as Change Request. The new spending needs should be based on the City's prioritization of spending based on:

- Alignment to City Council approved goals and priorities
- Operational and Capital Needs to support City programs
- Department/Budget Program Prioritization of Services and Programs
- Availability of funding resources from various grant funding sources

The base budgets should not include any new spending initiatives or program enhancements.



The new budget Priority-Based Resource Allocation Process includes an internal review and discussion with Department- Directors and the City Manager’s Office on funding priorities and action plans. The City Manager’s Office should review all Action Plans, Resource Staffing Plans, Base Budgets, and Decision Packages prior to submission to the creation of the Change Request and discussions with the City budget team.

The internal reviews include meetings with the Department Directors, key stakeholders within their Department, and key members of Finance Department to present the proposed budget submissions. The review process should occur in early March to provide enough time for review and funding consideration prior to the final internal approval process.

**Timeline:** Decision Packages for New Spending Requests (Change Requests) typically must be submitted to the budget team by **February 15 each year**. The City should develop the New Spending Request in January each year for internal prioritization and review.

#### **Task 7. City Council Approval Process**

The City Manager will provide to the Mayor and Council an annual calendar and meetings for City Council review and approval of the budget. This will include scheduled public hearings and publication requirements. The budget team is the key group responsible for the response to City Council budget requests and coordinates with the Department Director on policy and program related questions.

**Timeline:** The Annual City Budget is typically scheduled to be **adopted by mid-June of each year**. That provides time for the budget team to finalize any City Council changes from the proposed submitted budget and finalize the budget upload into **Munis by July 1**.

#### **Task 8. Budget Execution and Accountability Process**

Prior to the formal ratification and appropriation approval process, the projected fiscal year budget will be uploaded into the City’s Munis financial accounting system. Reports should be provided to each Department for formal review prior to the start of the fiscal year to ensure that the financial system reflects the program and resource staffing plans as approved. This review will ensure that the projected budget is properly aligned to the Department’s organizational structure and cost centers.

Throughout the fiscal year, the budget team should monitor the financial and operational progress of each cost center and program. This monitoring should be done on a regular basis to identify trends or the misalignment of funding priorities. The City’s Finance Committee, City Manager and Executive Team will hold Quarterly Management Reviews of each major program and related operating budgets.

Secondly, there is a need for enhanced financial and budgetary reporting and analysis for increased accountability and transparency in the budget administration and execution process. The budget team should prepare a monthly budget analysis of the major trends and economic drivers for the budget. A Financial Scorecard should be deployed to report on key operating and financial ratios and budget results that are updated on at least a monthly basis.

**Timeline:** Department Directors should meet monthly with Program Managers and the Finance Department (Finance Director and Senior Budget Analyst) and City Manager to **review budget-**



to-actual results within ten working days of the prior month end. This information should then be shared with the Department Director and key stakeholders.

Example of components for the Executive Summary Report could include:

- Annual Budget to Year-to-Date Actual comparisons for both revenues and expenses
- Monthly Budget to Monthly Actual for both revenues and expenses
- High level analysis of major trends and cost drivers
- Changes in Staffing (Filled versus Vacant Positions)
- Revenue collections versus planned
- Key performance metrics and outcome measures

The Department should also finalize a Financial Scorecard on key financial and operational indicators/ratios. This information should be readily available to internal and external stakeholders providing transparent and open communication of the City and related operating program financial results and utilization. The budget team should create a financial dashboard of key financial metrics to be updated weekly/monthly for a quick snapshot for the Department to use in communicating key financial and operational issues.

### Task 9. Publish Approved Budget Book

Publishing an approved budget book provides an opportunity for the City to develop an on-line Adopted budget document. The document should include the key attributes in the GFOA Distinguished Awards program criteria. More detailed explanation of the key components of the key criteria for best-in-class budget documents and the specific criteria can be found at:

[https://gfoaorg.cdn.prismic.io/gfoaorg/234798d8-f7d3-45c2-8767-d705a53595c3\\_BudgetCriteriaGuide2021orlater.pdf](https://gfoaorg.cdn.prismic.io/gfoaorg/234798d8-f7d3-45c2-8767-d705a53595c3_BudgetCriteriaGuide2021orlater.pdf)

Figure 61: Example of City Recommended Budget Planning Calendar:

Key Planning Tasks	Calendar – Start Date	Calendar – Finish Date
Task 1. Establish Goals, Objectives & Priorities	October 1	November 15
Task 2. Review & Update Project Structure	November 1	November 15
Task 3. Communicate Budget Guidelines	November 15	November 30
Task 4. Department Operational Action Plans	December 1	December 31
Task 5. Priority Based Spending & Financial Plans	January 1	January 15
Task 6. Decision Packages for New Funding Priorities	January 15	March 16



Task 8. City Council Review & Approval Process	April 1	Mid-June Meetings to be scheduled by Mayor and Finance Committee
Task 9. Budget Execution & Accountability Process	Upon Approval of the July 1 Budget	Monthly Review



**APPENDIX C – SAMPLE POLICIES**

The below table includes links to various financial policies in line with the best practices of the Government Finance Officers Association (GFOA) and other local government organizations. These should be used as guides to address the minimum policy requirements identified in the ***Establish financial management policies and procedures based on best practices*** recommendation.

**Figure 62: Best Practice Policy Examples**

Policy	Current State	Best Practice Example
Funds Balance/Reserve	No approved policy was provided	<a href="#">GFOA General Fund Reserve Policy Best Practice Guidelines</a> <a href="#">GFOA Reserve Policy Template</a> <a href="#">MRSC - Fund Balance and Reserve Policies</a> <a href="#">Chandler, AZ Reserve Policy Example</a>
Utility Billing	No approved policy was provided	<a href="#">King William County, VA Code of Ordinances Chapter 78 -Utilities</a>
Budget & Capital Planning	No approved policy was provided	<a href="#">GFOA Recommended Budget Best Practices</a> <a href="#">GFOA Capital Planning and Infrastructure Best Practices</a> <a href="#">City of Roanoke Budget Policy Example</a> <a href="#">Oak Cliff Capital Planning Policy Example</a> <a href="#">GFOA Capital Planning Policies Examples</a> <a href="#">GFOA Capital Planning and Infrastructure Best Practices</a>
Procurement & Payables	No approved policy was provided	<a href="#">Code of Virginia Code - Chapter 43. Virginia Public Procurement Act</a> <a href="#">GFOA Procurement Policy Examples</a> <a href="#">GFOA Procurement Best Practices</a>
Debt Issuance & Management	No approved policy was provided	<a href="#">Code of Virginia Code - Chapter 49. Public Debt; Issuance of Bonds and Certificates of Indebtedness</a> <a href="#">MRSC - Debt Management Policies</a> <a href="#">GFOA Debt Management Best Practices</a>
Financial Management Policy	No approved policy was provided	<a href="#">GFOA Budget Monitoring Best Practice</a> <a href="#">GFOA Balanced Budget Example Policies</a> <a href="#">GFOA Risk Assessment Best Practices</a>
Credit Card Usage	No approved policy was provided	<a href="#">GFOA Purchasing Card Program Best Practices</a> <a href="#">City of Fort Myers Procurement Card Best Practices</a>



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Cash Management	No approved policy was provided	<a href="#">GFOA Revenue Control Policy Best Practices Example</a> <a href="#">GFOA Cash Forecasts Best Practices</a> <a href="#">GFOA Receivables and Handling Receipts Best Practices</a> <a href="#">GFOA Revenue Control Policy Best Practices</a>
Payroll/Timekeeping	No approved policy was provided	<a href="#">ADP Employee Handbook Best Practices</a> <a href="#">GFOA Pension and Benefit Administration Best Practices</a>
Cash and Treasury Management	No approved policy was provided	<a href="#">GFOA Treasury Operations Policy Best Practice Examples</a> <a href="#">GFOA Using Mutual Funds for Cash Management Purposes Best Practice</a>





APPENDIX D – GFOA CERTIFICATE OF ACHIEVEMENT IN EXCELLENCE IN FINANCIAL REPORTING

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting (COA) Program



Source: <https://www.gfoa.org/coa-award>

The GFOA established the Certificate of Achievement for Excellence in Financial Reporting Program (COA) in 1945 to encourage and assist state and local governments to go beyond the minimum requirements of generally accepted accounting principles to prepare annual comprehensive financial reports that evidence the spirit of transparency and full disclosure and then to recognize individual governments that succeed in achieving that goal. The goal of the program is not to assess the financial health of participating governments, but rather to ensure that users of their financial statements have the information they need to do so themselves.

The purpose of COA is to encourage and assist governments to go beyond the minimum requirements of generally accepted accounting principles to prepare annual comprehensive financial reports (ACFRs) that evidence the spirit of transparency and full disclosure, and then to recognize individual governments that succeed in achieving that goal.

Of importance, is that for financial reporting to be effective, the information in the reports must be **understandable, reliable, relevant, timely, consistent, and comparable**. GFOA promotes that the COA program requirements incorporate each of these characteristics. The **characteristic of timeliness** is incorporated by requiring submission of applications and annual comprehensive financial reports (ACFRs) **within six months of the end of the fiscal year covered by the ACFR**.

GFOA publishes a Comprehensive General-Purpose Checklist For Use by governments that is available in electronic form at GFOA's website under the Award Programs in the Certificate of Achievement for Excellence in Financial Reporting section (<https://www.gfoa.org/coa-award>).

The checklist is based on the authoritative guidance of the Governmental Accounting Standards Board (GASB) through GASB Statement No. 99, Omnibus. The checklist includes the disclosure guidance for governments that have early implemented GASB Statement Nos. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, 96, Subscription-Based Information Technology Arrangements, and 99, Omnibus. The checklist also includes disclosures required for leases following GASB Statement 87, Leases.

Of importance to Hopewell is that the checklist is a reference tool to help the Finance Department prepare the necessary to prepare an "Annual Comprehensive Financial Report (ACFR) and provides references to where the detailed required disclosures can be found in the authoritative literature and in the 2022 version of GFOA's Governmental Accounting, Auditing and Financial Reporting ("Blue Book" or "GAAFR").<sup>13</sup>

<sup>13</sup> <https://www.gfoa.org/coa-award>



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The following link is from the GFOA website of other Commonwealth of Virginia government agencies that have been awarded the Certification of Award since 2019. Hopewell can use these local government ACFR documents and awards submissions as a guide in the future preparation of best-in-class financial reporting document.

<https://f.gfoa.org/WebLink/CustomSearch.aspx?SearchName=COA&dbid=0&repo=GFOA>



**APPENDIX E – AUDIT FINDINGS**

This appendix summarizes the audit findings related to various aspects of the City's financial operations, including people/training, reconciling, policies/procedures, and internal controls. The identified weaknesses and instances of noncompliance were observed in the audit reports for the years 2014 to 2018.

**Figure 63: Number of Audit Findings (FY 2014 – FY 2018)**

Functional Category	# of Findings	# of Repeat Findings	# of Addressed Findings	# of Findings Outstanding	% of Findings Outstanding
<b>People/Training</b>	12	9	3	9	75%
<b>Reconciliations</b>	8	4	2	6	75%
<b>Policies/Procedures</b>	12	7	0	12	100%
<b>Internal Controls</b>	11	2	2	9	82%
<b>TOTAL Findings</b>	<b>43</b>	<b>22</b>	<b>7</b>	<b>36</b>	<b>84%</b>

The reports highlight material weaknesses related to lack of segregation of duties, lack of timely reconciliations, inaccurate supporting records, and material audit adjustments and restatements. Additionally, the reports note instances of noncompliance with state and federal regulations, conflicts of interest, and deficiencies in internal controls over financial reporting.

**1. People/Training**

- 2017-005: Material Weakness Due to Lack of Segregation of Duties and System Based Logical Access Controls
- 2017-004: Material Weakness Due to Lack of Management Contract for Beacon Theatre
- 2017-003: Material Weakness Due to Lack of Accurate Supporting Records (Disclaimer of Opinions)
- 2017-002: Material Weakness Due to Material Audit Adjustments and Restatements
- 2016-021: Lack of Compliance with Sections 15.2-2506 and 58.1-3001 of the Code of Virginia the City's Virginia Public Assistance Fund
- 2016-007: Material Weakness Due to Lack of Segregation of Duties and System Based Logical Access Controls
- 2016-004: Material Weakness Due to Lack of Management Contract for Beacon Theatre
- 2016-003: Material Weakness Due to Lack of Accurate Supporting Records (Disclaimer of Opinions)
- 2016-002: Material Weakness Due to Material Audit Adjustments and Restatements



- 2016-001: Material Weakness Due to Lack of Timely Reconciliations and Lack of Adequate Year End Close Procedures
- 2015-002: Material Weakness – Year-end Completeness and Accuracy of Account Balance
- 2015-001 Material Weakness - Internal Control Over Financial Reporting

## 2. Reconciliations

- 2017-009: Untimely Social Services LASER Reconciliations to the General Ledger
- 2017-007: Material Weakness Due to Lack of Debt Management Procedure
- 2017-006: Material Weakness Due to Untimely Social Services LASER Reconciliations to the General Ledger
- 2017-001: Material Weakness Due to Lack of Timely Reconciliations, Lack of Adequate Year End Close Procedures and Lack of Adequate Internal Controls over Budget Transfers
- 2016-015: Interest Not Credited to Special Welfare Participants' Accounts on a Monthly Basis
- 2016-011: Material Weakness Related to School Board's Preparation of Schedule of Expenditures of Federal Awards
- 2016-006: Material Weakness Due to Community Development Block Grant Accounting Errors
- 2016-005: Material Weakness Due to School Federal Program Cutoff Errors

## 3. Policies/Procedures

- 2017-014: Lack of Compliance with Sections 15.2-2506 and 58.1-3001 of the Code of Virginia in the City's Virginia Public Assistance Fund and Community Development Block Grant Fund
- 2017-013: Bank Not Identified as a Public Depository and Bank Accounts Not Identified as a Public Deposit
- 2017-012: Noncompliance with Debt Covenant
- 2017-011: Children's Services Act Allowability and Eligibility Procedures]
- 2017-008: Material Weakness in Children's Services Act Allowability and Eligibility Procedures
- 2016-017: Children's Services Act Allowability and Eligibility Procedure
- 2016-013: Untimely Social Services LASER Reconciliations to the General Ledger
- 2016-012: Significant Deficiency Due to Lack of Supporting Documentation of Note Receivable
- 2016-009: Material Weakness Due to Lack of Debt Management Procedures
- 2016-008: Material Weakness Due to Untimely Social Services LASER Reconciliations to the General Ledger
- 2014-002 Material Weakness - Other Instance of Noncompliance - Eligibility Medicaid CFDA 93.778 program
- 2014-001 Material Weakness - Financial Accounting and Reporting



**4. Internal Controls**

- 2018-001: City and School Board’s Finance Organization and Financial Statement Closing Process
- 2017-010: Commonwealth of Virginia Yearly Financial Reporting
- 2016-020: Bank Not Identified as a Public Depository and Bank Accounts Not Identified as a Public Deposit
- 2016-019: Noncompliance with Debt Covenants
- 2016-018: Conflicts of Interest
- \*2016-016: Commonwealth of Virginia Yearly Financial Reporting
- 2016-014: Lack of Social Services Annual Review of Computer Access
- 2016-010: Material Weakness in Children’s Services Act Allowability and Eligibility Procedures
- 2015-004: Instance of Noncompliance – Commonwealth of Virginia Yearly Financial Reporting
- 2015-003: Material Weakness – Segregation of Duties and System Based Logical Access Controls
- \*2014-003 Conflicts of Interest

The following audit findings matrix has been compiled from the Auditors' reports for the fiscal years 2014 to 2018. The matrix is intended to provide an overview of the key findings and areas of concern identified by the auditors, organized by category. The categories included in the matrix are Audit Issue Date, Audit Fining Title, Repeat Finding, Detail of Finding, and Auditor’s Recommendation. The purpose of the matrix is to assist the City in addressing the identified weaknesses and instances of noncompliance, and to facilitate the development of an action plan for improvement. It is important to note that the audit findings are presented in summary form, and that the full audit reports should be consulted for further details and recommendations. “We/we” in Figure 62 refers to recommendations made by the Auditor and not A&M.

**Figure 64: Key Audit Findings (FY2014 - FY 2018)**

Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
No progress	2014-001 Material Weakness - Financial Accounting & Reporting	2013-1	During audit fieldwork, adjustments to the City’s records in the following areas were needed to fairly present the basic financial statements in accordance with GAAP: <ul style="list-style-type: none"> <li>• Capital asset activity in the current year</li> <li>• Adjustments to reconcile amounts reported as Due from Other Governments</li> </ul>	The City needs to achieve full budgeted employment in the Finance Department and strengthen its internal controls around the financial accounting and reporting process.



Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
			<ul style="list-style-type: none"> <li>Adjustments to reconcile the enterprise fund Compensated absences liabilities</li> <li>Numerous entries to properly reflect City activities in accordance with GAAP</li> </ul>	
No progress	2014-002 Material Weakness - Other Instance of Noncompliance - Eligibility Medicaid CFDA 93.778 program	2013-3	Per the 42 CFR sections 435.907, 435.910, 435.913, 435.916 and 435.920, participants in the Medicaid program must meet specified eligibility criteria to receive program assistance. For participants in the program longer than one year, a redetermination of eligibility is required to be performed at least every 12 months.	The City should implement a corrective action plan aimed at enhancing internal controls related to redetermination of eligibility to ensure that the 12-month requirement is met.
No progress	2014-003 Conflicts of Interest	2014-4	As described in Section 2.2-3115 of the Code of Virginia, local officials must file an annual disclosure form, disclosing personal financial interests that may cause conflicts. Four members of the Board of Equalization were late submitting the annual conflict of interest disclosure.	Elected officials and board members should complete all questions on the disclosure form and submit to the City Clerk in order to ensure timely submission to the State.
No progress	2015-001 Material Weakness - Internal Control Over Financial Reporting	2013-1, 2014-1	<ul style="list-style-type: none"> <li>HRWTF and Sewer funds net position at year-end not substantiated by activity changes in net position during year</li> <li>Lots of prior year adjustments to FY14 ending net position</li> <li>Govt activities' inaccurate recording of compensated absences fund liability</li> <li>Inaccurate recording of operational funding transfer from Sewer Fund to Storm Water Fund</li> </ul>	'We recommend the City address this people-centric need by considering the identification, hiring, and retaining of experienced accountants as a mission-critical within the Finance Department. Additionally, a structured cross-training program should be implemented within financial operational functions
No progress	2015-002 Material Weakness – Year-end	N/A	During the year end external audit and financial reporting	Need for the City to identify, hire, and retain experienced



Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
	Completeness and Accuracy of Account Balances		<p>processes, multiple instances were identified where the complete and accurate recordation of financial transactions within the General Ledger did not occur:</p> <ul style="list-style-type: none"> <li>• cash bank vs. ledger book balance \$26.8M unreconciled until Sep 16</li> <li>• funding receipts from VA unreconciled to GL in amt &gt;\$10M, until Mar 16</li> <li>• incorrect booking of \$20M of HRWTF spending as expense rather than capital assets</li> <li>• - etc. (9 more items)</li> </ul>	<p>governmental accountants, specifically Certified Public Accountants, in key finance management positions and to strive to maintain a minimum of two such designations consistently within the financial operations.</p> <p>Recommend the City perform bank reconciliations monthly &amp; reconcile intergovernmental activity quarterly with reconciling items being resolved within 45 days from the date that they are identified</p>
No progress	2015-003 Material Weakness – Segregation of Duties and System Based Logical Access Controls	N/A	<p>'Users with the ability to administer security to the financial applications should be segregated from users with the ability to administer the financial application's database and from those with end user capabilities to the financial applications. City doesn't maintain proper segregation of duties over security, administration, and end user access to the financial application and database. City does not perform an annual review of access privileges to the MUNIS application</p> <p>City's password and account lockout settings for the network do not match the settings defined within the City's Information Security Policy</p>	<ul style="list-style-type: none"> <li>• Segregate users</li> <li>• Perform scheduled periodic reviews of user access on annual basis</li> <li>• Strengthen rigor around passwords and lockout settings</li> </ul>
No progress	2015-004 Instance of Noncompliance – Commonwealth of Virginia Yearly Financial Reporting	N/A	<p>Per Section 15.2-2510 of the Code of Virginia, local governments must submit their audited financial report to the Commonwealth of Virginia's Auditor of Public Accounts ("APA") by November 30 of each year. The City did not submit its</p>	<p>The City should implement corrective action aimed at enhancing internal controls to ensure that financial reporting is made in accordance with Section 15.2-2510 of the Code of Virginia.</p>





**Current State Financial Assessment and  
Stabilization and Turnaround Plan for the  
City of Hopewell, Virginia**

Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
			audited financial report to the APA by the required date.	
No progress	2016-001 Material Weakness Due to Lack of Timely Reconciliations and Lack of Adequate Year End Close Procedures	2015-1 2015-2	During the fiscal year 2016 audit and financial reporting processes, multiple instances were identified where the complete and accurate recording of financial transactions within the general ledger did not occur	Ensure finance staff have adequate technical skills & training to perform their accounting functions accurately and timely. Increasing levels of oversight to ensure reconciliations are performed timely and formal year end close procedures are documented and followed to support the existence, completeness, accuracy and valuation of all assets and liabilities, revenues, and expenditures/expenses reported in the City's CAFR.
No progress	2016-002 Material Weakness Due to Material Audit Adjustments and Restatements	2015-1 2015-2	Lack of adequate accounting technical skills and insufficient review to ensure Government Funds, Business-Type Activities, Government-Type activities were accurately recorded	The City and School Board should ensure finance staff have adequate technical skills or training to perform their accounting functions accurately and timely. We recommend the City and the School Board increase levels of oversight over maintaining accurate account balances. We also recommend a thorough review of the general ledger and supporting schedules prior to the audit.
No progress	2016-003 Material Weakness Due to Lack of Accurate Supporting Records (Disclaimer of Opinions)	2015-1 2015-4	The year-end financial statements obtained from the City should be adequately supported by sufficient and appropriate audit documentation.	The City should ensure finance staff have adequate technical skills or to perform their accounting functions accurately and timely.
No progress	2016-004 Material Weakness Due to Lack of Management Contract for Beacon Theatre	N/A	The year-end financial statements obtained from the City should be adequately supported by sufficient and appropriate audit documentation.	We recommend the City obtain a copy of the most recent contract between the City and the third-party management company. This contract should be reviewed and analyzed, and the results of this analysis should be compared to the accounting records to ensure there are no monies due to the City. Additionally, we recommend the City establish a set of policies and procedures governing the City's oversight of Beacon Theatre's operations and the accurate



**Current State Financial Assessment and  
Stabilization and Turnaround Plan for the  
City of Hopewell, Virginia**

Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
				recording of the financial activity on a recurring basis.
No progress	2016-005 Material Weakness Due to School Federal Program Cutoff Errors	N/A	According to GAAP, "Recognition of assets and revenues should not be delayed pending completion of purely routine requirements, such as the filing of claims for allowable costs under a reimbursement program."	We recommend the School Board reconcile revenues and expenditures related to federal programs to ensure amounts are reported in the correct period and in accordance with GAAP.
No progress	2016-006 Material Weakness Due to Community Development Block Grant Accounting Errors	N/A	Revenues for the Community Development Block Grant should be recorded in the same period in which expenditures are incurred.	We recommend the City increase levels of oversight over the Community Development Block Grant and ensure accurate reconciliations are performed for program revenues and expenditures.
No progress	2016-007 Material Weakness Due to Lack of Segregation of Duties and System Based Logical Access Controls	2015-3	Users with the ability to administer security to the financial applications should be segregated from users with the ability to administer the financial application's database and from those with end user capabilities to the financial applications. User access controls as well as system security should be monitored and evaluated on a periodic basis.	Segregate users with the ability to administer security to the financial application from users with the ability to administer the financial application's database. In addition, the City should segregate access for users with the ability to administer security to the financial application from those with end user capabilities to the financial application. Perform scheduled periodic reviews of user access for the MUNIS application on an annual basis in order to identify unauthorized, inappropriate access based on job function, as well as to identify any terminated users who have remained active in the application. Revise the current network settings for password length and account lockout threshold to the industry best practices of eight characters in length and three invalid attempts, respectively.
No progress	2016-008 Material Weakness Due to Untimely Social Services LASER Reconciliations to the General Ledger	N/A	According to the Specifications for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, Chapters 3-15 Social Services	We recommend the City and Department of Social Services implement procedures to ensure compliance with the specifications of the APA and perform timely LASER reconciliations to the general ledger.



Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
			section entitled General Ledger Reconciliation, “amounts reported in LASER must be reconciled monthly to be in compliance with Section 3.60, LASER Expenditure Reconciliation and Certification, of the LDSS Finance Guidelines Manual for Local Departments of Social Service.”	
No progress	2016-009 Material Weakness Due to Lack of Debt Management Procedures	N/A	Debt management procedures should exist to ensure capital expenditures associated with debt agreements are paid from the debt proceeds and not operating funds. The procedures should include steps to monitor compliance with all debt covenants.	We recommend the City implement debt management procedures, reconcile bond proceeds to capital expenditure activity.
No progress	2016-010 Material Weakness in Children’s Services Act Allowability and Eligibility Procedures	N/A	Pool disbursement transactions must be supported by a written contract or agreement. They must be provided to a specific eligible youth or family. Disbursements must also be made as authorized by Community Policy Management Team policies and procedures, which must be consistent with the Code of Virginia statutes and the CSA Policy Manual.	
No progress	2016-011 Material Weakness Related to School Board’s Preparation of Schedule of Expenditures of Federal Awards	N/A	Recipients of federal awards are required to track and maintain a complete and accurate accounting of expenditures associated with federal awards. These expenditures are required to be summarized and presented within the Schedule of Expenditures of Federal Awards (Schedule).	We recommend the School Board reconcile revenues and expenditures related to federal programs to ensure amounts are reported in the correct period. The Schedule should be reviewed to ensure all expenditures reported are accurate and complete for the period.
No progress	2016-012 Significant Deficiency Due to Lack of Supporting Documentation of Note Receivable	N/A	Notes receivable should be supported by adequate documentation, including signed agreements between the parties involved.	We recommend the City and Sewer Service Fund establish policies and procedures addressing the retention and filing of legal agreements and address the lack of a signed



Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
				agreement with the Sewer Service Fund.
No progress	2016-013 Untimely Social Services LASER Reconciliations to the General Ledger	N/A	See finding 2016-009	See finding 2016-009
No progress	2016-014 Lack of Social Services Annual Review of Computer Access	N/A	According to the Specifications for Audits of Counties, Cities and Towns, issued by the APA of the Commonwealth of Virginia, Chapter 3-15 Social Services section entitled Annual Review of Access, "Each LSO should be annually reviewing all employees' access to each application with employees' supervisors to ensure that the access is properly aligned with job responsibilities."	We recommend all employees' access be reviewed annually in order to ensure compliance with this requirement.
No progress	2016-015 Interest Not Credited to Special Welfare Participants' Accounts on a Monthly Basis	N/A	According to the Specifications for Audits of Counties, Cities and Towns, issued by the APA of the Commonwealth of Virginia, Chapter 3-15 Social Services section entitled Child Welfare Trust Accounts, special welfare account receipts should be credited accurately and timely to the special welfare account, and interest should be properly credited to the account when earned	We recommend the Treasurer of the City provide the Department of Social Services bank statements monthly in order for interest to be properly credited when earned for special welfare accounts.
No progress	2016-016 Commonwealth of Virginia Yearly Financial Reporting	2015-4	According to Section 15.2-2510 of the Code of Virginia, local governments must submit their audited financial report to the Commonwealth of Virginia's APA by November 30 of each year.	The City should implement corrective action aimed at enhancing internal controls to ensure that financial reporting is made in accordance with Section 15.2-2510 of the Code of Virginia
No progress	2016-017 Children's Services Act Allowability and Eligibility Procedure	N/A	See finding 2016-010	See finding 2016-010
No progress	2016-018 Conflicts of Interest	N/A	According to the Specifications for Audits of Counties, Cities and Towns, issued by the APA of the Commonwealth of Virginia,	We recommend increased levels of oversight to ensure the applicable local government officials file the



Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
			<p>Chapter 3-5 section entitled Conflicts of Interest, “The State and Local Government Conflicts of Interest Act is contained in Chapter 31 (Section 2.2-3100 et. seq.) of Title 2.2 of the Code of Virginia. The Act requires local government officials to file a statement of economic interests with the office of the Virginia Conflict of Interest and Ethics Advisory Council semiannually by December 15 for the preceding six-month period ending October 31 and by June 15 for the preceding six-month period ending April 30. The Act sets out the format of this statement, which involves extensive disclosure of personal financial interests that may cause conflicts.”</p>	<p>required statements by the semiannual deadlines noted above.</p>
No progress	2016-019 Noncompliance with Debt Covenants	N/A	<p>The Series 2015 General Obligation Public Improvement Bond, Series 2015A General Obligation Public Improvement Bond, Series 2010 Sewer System Revenue Bond, Series 2011A Sewer System Revenue Refunding Bond and the Series 2011B Sewer System Revenue Bond require the City to submit audited financial reports to the purchaser within 270 days of the fiscal year end and, if not available, the City is required to provide unaudited financial statements at that time. The Series 2011 General Obligation School Bond and the Series 2010 General Obligation School Bond require the City to submit annual reports to the purchaser no later than twelve months after the fiscal year end. The Series 2011 General Obligation School</p>	<p>We recommend increased levels of oversight and monitoring of all debt covenant requirements.</p>



Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
			Bond requires the City to submit audited financial statements to the purchaser on or before March 31 following the end of the City's fiscal year. The Series 2014 Taxable Sewer System Revenue Bond, Series 2011 General Obligation Public Improvement and Refunding Bonds and Series 2010 Sewer System Revenue Bonds require debt service reserves.	
No progress	2016-020 Bank Not Identified as a Public Depository and Bank Accounts Not Identified as a Public Deposit0	N/A	The Code of Virginia contains various requirements designed to safeguard state and local funds. Deposits must be secured in accordance with the Virginia Security for Public Deposits Act. The Act requires governments to use bank and financial institutions that meet specific collateralization requirements. Treasurers must ensure the qualified depository identifies the account(s) as public deposits.	We recommend the Treasurer of the City review all of their accounts and ensure that accounts containing public deposits are properly marked as such. Additionally, the Treasurer of the City should determine with financial institutions that all of the City's public deposits are secured and ensure the financial institutions are included on the Department of the Treasury's listing of qualified depositories.
No progress	2016-021 Lack of Compliance with Sections 15.2-2506 and 58.1-3001 of the Code of Virginia in the City's Virginia Public Assistance Fund	N/A	No money may be paid out for any expenditure unless and until the governing body has made an appropriation for the expenditure (Sections 15.2-2506 and 58.1-3001 of the Code of Virginia.	We recommend the City monitor the budget for all funds more closely throughout the year to ensure compliance with the Code of Virginia.
School addressed Single Audit Finding	2017-001 Material Weakness Due to Lack of Timely Reconciliations, Lack of Adequate Year End Close Procedures and Lack of Adequate Internal Controls over Budget Transfers	2015-1, 2015-2, 2016-1	In order to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets and liabilities, revenues, and expenditures/expenses to ensure an accurate presentation of the financial position and activity of	The City should ensure finance staff have adequate technical skills or training to perform their accounting functions accurately and timely. We recommend increasing levels of oversight over budget transfers and to ensure reconciliations are performed timely and formal year end close procedures are documented and followed to support the existence, completeness, accuracy, valuation, and disclosure of all assets and liabilities, revenues, expenditures/expenses, and



Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
			<p>the City of Hopewell, Virginia (City) for the fiscal year just ended. The efficient, effective, and timely preparation of the Annual Comprehensive Financial Report (ACFR) depends heavily on personnel from various City departments and the School Board and includes closing the City's and School Board's general ledgers, performing appropriate financial analyses and reconciliations of yearly activity, and accumulating the required data for reporting. In order to verify that the transactions are fairly presented, procedures must be in place and functioning effectively to ensure the financial information is complete, accurate, and in accordance with GAAP. Also, budget transfers should be properly supported and approved in accordance with City policy.</p>	<p>significant contractual commitments reported in the City's CAFR.</p>
No progress	2017-002 Material Weakness Due to Material Audit Adjustments and Restatements	2015-1, 2015-2, 2016-1	<p>The year-end financial statements obtained from the City and School Board should be final and free of significant misstatements.</p>	<p>The City and School Board should ensure finance staff have adequate technical skills or training to perform their accounting functions accurately and timely. We recommend the City and School Board increase levels of oversight over maintaining accurate account balances.</p>
No progress	2017-003 Material Weakness Due to Lack of Accurate Supporting Records (Disclaimer of Opinions)	2015-1, 2015-2, 2016-3	<p>The year-end financial statements obtained from the City should be adequately supported by sufficient and appropriate audit documentation.</p>	<p>The City should ensure finance staff have adequate technical skills or training to perform their accounting functions accurately and timely. The City Finance Department and staff of the Sewer Service Fund, Solid Waste Fund, and Storm Water Fund should review and update existing policies and procedures over the billing and accounting functions of the Sewer Service Fund, Solid Waste Fund, Storm Water Fund, and Beacon Theatre Fund to ensure accurate reconciliations are</p>





Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
				performed timely between the general ledger, bank statements, and the third party bookkeeping entity for Beacon Theatre and third party collections agent for the Sewer Service Fund, Solid Waste Fund, and the Storm Water Fund. The City should also increase levels of oversight and monitoring over the financial activity of these funds as well.
No progress	2017-004 Material Weakness Due to Lack of Management Contract for Beacon Theatre	2016-4	The City should have signed contracts in place with all third-party management vendors. Additionally, the City should have policies and procedures in place to ensure routine oversight over these vendors is occurring.	We recommend the City obtain a copy of the most recent contract between the City and the third-party management company. This contract should be reviewed and analyzed, and the results of this analysis should be compared to the accounting records to ensure there are no monies due to the City. If the City is unable to locate a current contract, a new management contract should be executed. Additionally, we recommend the City establish a set of policies and procedures governing the City's oversight of Beacon Theatre's operations and the accurate recording of the financial activity on a recurring basis.
No progress	2017-005: Material Weakness Due to Lack of Segregation of Duties and System Based Logical Access Controls	2015-3, 2016-7	Users with the ability to administer security to the financial applications should be segregated from users with the ability to administer the financial application's database and from those with end user capabilities to the financial applications. User access controls as well as system security should be monitored and evaluated on a periodic basis.	A. Segregate users with the ability to administer security to the financial application from users with the ability to administer the financial application's database. In addition, the City should segregate access for users with the ability to administer security to the financial application from those with end user capabilities to the financial application. If access cannot be segregated, a mitigating control should be implemented to log all security changes made by the personnel and be periodically reviewed by an independent group. B. Perform scheduled periodic reviews of user access for the



Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
				<p>MUNIS application on an annual basis in order to identify unauthorized/inappropriate access based on job function, as well as to identify any terminated users who have remained active in the application. These reviews should be documented, and changes identified during the access review should be processed in accordance with the access provisioning procedures.</p> <p>C. Revise the current network settings for password length and account lockout threshold to the industry best practices of eight characters in length and three invalid attempts, respectively.</p> <p>D. Review procedures over journal entries and modify as necessary to ensure adequate segregation of duties.</p>
6/10/19	2017-006: Material Weakness Due to Untimely Social Services LASER Reconciliations to the General Ledger	2016-8	According to the Specifications for Audits of Counties, Cities and Towns, issued by the Auditor of Public Accounts (APA) of the Commonwealth of Virginia, Chapters 3-15 Social Services section entitled General Ledger Reconciliation, "amounts reported in LASER must be reconciled monthly to be in compliance with Section 3.60, LASER Expenditure Reconciliation and Certification, of the LDSS Finance Guidelines Manual for Local Departments of Social Service."	We recommend the City and Department of Social Services implement procedures to ensure compliance with the specifications of the APA and perform timely LASER reconciliations to the general ledge
6/10/19	2017-007: Material Weakness Due to Lack of Debt Management Procedure	2016-9	Debt management procedures should exist to ensure capital expenditures associated with debt agreements are paid from the debt proceeds and not operating funds. The procedures should	We recommend the City implement debt management procedures, reconcile bond proceeds to capital expenditure activity.



Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
6/10/19	2017-008: Material Weakness in Children's Services Act Allowability and Eligibility Procedures	2016-10	Pool disbursement transactions must be supported by a written contract or service agreement. They must be provided to a specific eligible youth or family. Disbursements must also be made as authorized by Community Policy Management Team policies and procedures, which must be consistent with the Code of Virginia statutes and the CSA Policy Manual.	All purchases need to be reviewed for proper procurement procedures prior to committing funds. Increased levels of oversight, review, and monitoring should occur to ensure compliance with Virginia law and CSA policy.
6/10/19	2017-009: Untimely Social Services LASER Reconciliations to the General Ledger	N/A	See finding 2017-006.	See finding 2017-006.
6/10/19	2017-010: Commonwealth of Virginia Yearly Financial Reporting	2015-4, 2016-16	According to Section 15.2-2510 of the Code of Virginia, local governments must submit their audited financial report to the Commonwealth of Virginia's APA by November 30 of each year.	The City should implement corrective action aimed at enhancing internal controls to ensure that financial reporting is made in accordance with Section 15.2-2510 of the Code of Virginia.
6/10/19	2017-011: Children's Services Act Allowability and Eligibility Procedures	N/A	See finding 2017-008.	See finding 2017-008.
6/10/19	2017-012: Noncompliance with Debt Covenant	2016-19	The Series 2015 General Obligation Public Improvement Bond, Series 2015A General Obligation Public Improvement Bond, Series 2010 Sewer System Revenue Bond, Series 2011A Sewer System Revenue Refunding Bond and the Series 2011B Sewer System Revenue Bond require the City to submit audited financial reports to the purchaser within 270 days of the fiscal	We recommend increased levels of oversight and monitoring of all debt covenant requirements.



Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
			<p>year end and, if not available, the City is required to provide unaudited financial statements at that time. The Series 2011 General Obligation School Bond and the Series 2010 General Obligation School Bond require the City to submit annual reports to the purchaser no later than twelve months after the fiscal year end. The Series 2011 General Obligation School Bond requires the City to submit audited financial statements to the purchaser on or before March 31 following the end of the City's fiscal year. The Series 2014 Taxable Sewer System Revenue Bond, Series 2011 General Obligation Public Improvement and Refunding Bonds and Series 2010 Sewer System Revenue Bonds require debt service reserves.</p>	
6/10/19	2017-013: Bank Not Identified as a Public Depository and Bank Accounts Not Identified as a Public Deposit	2016-20	<p>The Code of Virginia contains various requirements designed to safeguard state and local funds. Deposits must be secured in accordance with the Virginia Security for Public Deposits Act. The Act requires governments to use bank and financial institutions that meet specific collateralization requirements. Treasurers must ensure the qualified depository identifies the account(s) as public deposits.</p>	<p>We recommend the Treasurer of the City review all of their accounts and ensure that accounts containing public deposits are properly marked as such. Additionally, the Treasurer of the City should determine with financial institutions that all of the City's public deposits are secured and ensure the financial institutions are included on the Department of the Treasury's listing of qualified depositories.</p>
6/10/19	2017-014: Lack of Compliance with Sections 15.2-2506 and 58.1-3001 of the	2016-21	<p>No money may be paid out for any expenditure unless and until the governing body has made an appropriation for the</p>	<p>We recommend the City monitor the budget for all funds more closely throughout the year to</p>



Current State	Finding Title	Repeat Finding	Detail of Finding	Recommendation
	Code of Virginia the City's Virginia Public Assistance Fund and Community Development Block Grant Fund		expenditure (Sections 15.2-2506 and 58.1-3001 of the Code of Virginia).	ensure compliance with the Code of Virginia.
10/22/21	2018-001: City and School Board's Finance Organization and Financial Statement Closing Process	N/A	The City and School Board have not established policies and procedures and an effective internal control framework that would enable the City and School Board to maintain financial records accurately and timely.	It is recommended that the City and School Board perform an entity wide internal control risk assessment to develop and implement a corrective action plan to address the internal control deficiencies noted above. The risk assessment should be considered in the systemic environment internal control structure, financial processes, personnel, and organizational structure.



**APPENDIX F – STATUS OF DATA & INFORMATION REQUEST (AS OF MAY 3, 2024)**

Ref	Data Request	Received (Y/N)
1	Available progress status reports on the completion of the prior year audits	Y
2	Past five years auditor's prepared by client (PBCs) information request	Partial
3	Firm names who prepared the current and past five year audits	Y
4	City's Critical Action Plans in responses to prior year Audit Management Letters and Single Audit Findings	Y
5	Staff assignments and responsibilities for monthly and year end closing tasks	N
6	Listing of prior year auditor provided adjusting journal entries for the last five years	N
7	Copies of unaudited financial statement reports for FY 2019, FY 2020, FY 2021, and FY 2022	N
8	Financial management policies and procedures for the following:	Partial
	· <i>Accounting,</i>	Y
	· <i>Month-end close checklist and account reconciliation,</i>	N
	· <i>Year-end close checklist and account reconciliation,</i>	Y
	· <i>Grants accounting and management, purchasing,</i>	N
	· <i>Accounts payable,</i>	Y
	· <i>Accounts receivable collections &amp; cash application,</i>	N
	· <i>Asset management,</i>	N
	· <i>Reserves,</i>	Y
	· <i>Budget and capital plan,</i>	Y
	· <i>Basis of accounting and budgeting,</i>	Y
	· <i>Treasury and cash management,</i>	Y
	· <i>Payroll,</i>	Y
	· <i>Procurement and purchase card</i>	Y
	· <i>Travel reimbursement</i>	Y
	· <i>OPEB funding,</i>	N
	· <i>Long term debt financing,</i>	Y
· <i>Debt disclosure,</i>	N	
· <i>Revenue and fees</i>	Y	
· <i>Indirect cost allocation</i>	N	
9	FY 2023-24 Preliminary Proposed Budget by appropriated Fund including breakout of revenues, expenses (object of expense and department spend), and proposed uses of fund balance	Y
10	Monthly bank statements for those accounts active for period of January 1, 2021 to March 1, 2023	Y
11	List of all active and closed bank account numbers and signature authority for the past five years	N



Ref	Data Request	Received (Y/N)
<b>12</b>	Current debt service and maturity schedules for all outstanding long-term debt, including, General Obligation, Special Revenue Fund, Proprietary, and Fiduciary Funds	Y
<b>13</b>	Letter from the rating agency notify why the City and its component unit credit rating was withdrawn	Y
<b>14</b>	Breakout detail for all accrued liabilities and accounts receivable by Fund over the past five years	Y
<b>15</b>	Provide current aging AR report (ex. 30, 60, 90 days)	Y
<b>16</b>	Provide current aging AP report (ex. 30, 60, 90 days)	Y
<b>17</b>	Breakdown of non-personnel spending (volume and amount)	Y
<b>18</b>	Finance, Treasurer, and IT Department organizational charts and job descriptions	Y
<b>19</b>	Listing of current vacant positions and attrition for the Finance, Treasurer, and IT Departments	Y
<b>20</b>	Financial Key Performance Measures/Indicators. This includes the data source, method of collection, target, and actuals	N
<b>21</b>	System diagrams of ERP modules and data integrations	N
<b>22</b>	ERP system user profiles and level of system security	Y
<b>23</b>	Existing training materials for day-to-day financial operations and copies of the Go-Live fiscal management training materials	Y
<b>24</b>	Open or deferred ERP system ticket list	N
<b>25</b>	List of all ERP tickets (regardless of status) from last 6 months	Y
<b>26</b>	Copy of the current Tyler-Munis Chart of Accounts	Y
<b>27</b>	Listing of each budget fund appropriation	Y
<b>28</b>	Detail budget to actual revenue and expense report for each appropriated Fund for each fiscal year ending FY 19 to FY 22 and FY 23 YTD	Y
<b>29</b>	Instructions to City Departments and Outside agencies for FY 24 budget requests	Y
<b>30</b>	Copies of City Council approved budget amendments for FY19 to FY 23 YTD	N
<b>31</b>	Available background information recent communications from the Commonwealth on the transfer of monies for CSA	Y
<b>32</b>	Budget to Actuals for revenues and expenses related to the Beacon Theater	Y
<b>33</b>	Copies of existing AP desk manuals, procedures, and policies	Y





Ref	Data Request	Received (Y/N)
34	Copies of year end AP cutoff processing communications to vendors and City Departments (Spring 2022 and Draft for Spring 2023)	N
35	Recently released communication on vendor changes to ACH account payments	Y
36	Existing process/procedures in how fixed asset information from AP invoices is used to record fixed assets (may require a meeting with contract employee and A&M)	N
37	Process to determine accruals for year-end AP	N
38	Any exception reporting related to three-way match errors	Y
39	Duties and responsibilities of Accounting-AP staff	Y
40	List of users and security roles to which they are mapped, and mapping of roles to functionality/component/page and any data role mappings to entity or other row-level data access control.	Y
41	Written documentation that outlines the procedures for when an employee leaves their position (e.g., moves to a different department or leaves the City).	N
42	System architecture diagrams for Tyler Munis	N
43	Written policy/process doc on backup and disaster recovery.	N
44	Documentation (if exists) that summarizes Tyler Munis City-specific RICEFW objects (reports, integrations, customizations, extensions, forms, workflows).	N
45	Governance structure for any RICEFW changes to Tyler Munis	N
46	Process used to define the city's business process requirements as they relate to Tyler Munis ERP	N
47	Testing and validation process for new releases/upgrades of Tyler	N
48	Off-boarding process in relation to Tyler Munis when an employee has left the City	N
49	Process for administering Munis access when an employee is on leave	N
50	List of all outstanding material weaknesses and deficiencies and the status on addressing them	Y
51	Listing of each Chart of Account Segment (e.g., Fund, Natural Account, Department) and any roll-up hierarchy structures that may exist for each segment (additional data request)	Y



Ref	Data Request	Received (Y/N)
52	Clarification of procurement amount thresholds that trigger different workflows (e.g., departments can enter and issue PO's on their own for purchases < \$10,000, purchases \$10K-\$30K are requested through central procurement office and 3 quotes obtained, \$30k-\$55k 4 quotes obtained, >\$55k RFI / RFP process)	Y
53	Clarification of how/if asset procurement differs from operational expense purchases and whether/if there are thresholds for capitalization configured within Munis	N
54	Copy of Credit Card and/or P-card policy and clarification of process for provisioning and controls (e.g., limits on MCC codes by dept)	Y
55	Provide interactions with FY19 Auditor over the last 5 weeks forward emails or in case of verbal interaction, summarize in a few bullets	Y
56	Regarding the FY20 Audit process, Fin Dir mentioned there are "folders" of materials already prepared for that. Please provide us an outline of those documents in the FY20 folders and clarify which of the documents have already been provided to the Auditor. Provide a task plan for completing the FY20 Audit.	N
57	MUNIS generated budget to actual reports (including encumbrances) for American Rescue Plan Act (ARPA) for each authorized project/program	Y
58	Program descriptions for all COVID related grant programs (e.g., CARES and ARPA)	Y
59	Documentation of all State and Federal COVID State & Local Relief Funds provided annual/quarterly reports	Partial
60	Cross-walk between Hopewell's Chart of Accounts to the State/Federal reporting categories	Y
61	Policy and procedures and City ordinance for the Wastewater Treatment Facility Rebate Program	N
62	Award, approval letters, inventory (amount), and remaining balance for all related Federal Covid Relief Funds	Partial
63	Planning, approval, reporting and monitoring processes and documented procedures for all related Federal Covid Relief Funds	N
64	Detail of uses of all related Federal Covid Relief Funds for each Grant Award including budgets, actuals and encumbrances and planned future obligations (grant period to date), and copies of the US Treasury quarterly reports	Y