



City of Pataskala Finance Department
James M. Nicholson, Finance Director
Finance Director's Report to Council

Current Projects & Issues

- **February 2021** – The financial results through February 28th have been compiled and summarized in the monthly Financial Condition Report, which was previously distributed and is currently available on the city's website.
- **2020 Financial Reporting & Audit** – We have completed the development of the schedules and documents required to support the preparation of the 2020 GAAP accrual-based financial statements for the city and the 2020 Comprehensive Annual Financial Report (CAFR). Most of these schedules involved accrued wages, accounts payable and accounts receivable. At this point, we're waiting on the 1st-half property tax settlement from the County in order to wrap up the last of the required information for the financial statements.
- **2019 Financial Reporting Award** – We just received notification from the Government Finance Officer's Association that our 2019 CAFR was awarded the *Certificate of Achievement for Excellence in Financial Reporting*. Due to the COVID-19 pandemic, turnaround times for the report review process were significantly lengthened. Please note that this is the 11th consecutive year in which the city's financial reporting has been so recognized.
- **American Rescue Plan** - The Director of GFOA's Federal Liaison Center, Emily Brock, recently sent the GFOA's Standing Committee members copies of the current text of the federal COVID-19 relief legislation known as the 'American Rescue Plan'. The GFOA also provided a spreadsheet that breaks down the allocations between the various states, metropolitan areas, counties and non-metro areas. Based upon the current information provided to the GFOA, it appears that Pataskala could receive approximately \$3 million in federal funding. We don't know for sure what level of restrictions would apply to this funding, but it appears that for now: (1) we would have until December 31, 2024 to spend the funds; and (2) the funds can be used for water, sewer and broadband infrastructure improvements. I will try to stay on top of this topic as it develops and will keep Council apprised of changes to the legislation.
- **FOP Settlement** – After Council's March 1st ratification of the fact-finder's report, I drafted the Memorandum of Understanding (MOU) between the parties which detailed the agreed-upon changes to the contract language. At this point, the city's representatives have signed the MOU, and we're waiting for the FOP to return the signed document. I've already created salary notices for all FOP officers which detail their pay rates during 2021. I will begin calculating the retroactive pay impact for each officer back to the first full pay period in 2021 where the new rates took effect.
- **Internal Control Audit** – We received and reviewed a draft copy of Schneider & Downs internal controls assessment report, a copy of which accompanies this report. Out of a total of ninety-two (92) risks evaluated over eight (8) key business processes, they made a total of 5 observations. Four (4) of those observations are considered low risk and one (1) is simply a process improvement recommendation. On the whole, I'm quite pleased with the results which affirm

that our current system of internal controls is working. Clearly there is always room for improvements, and we'll embrace their recommendations going forward. We've asked the auditors to attend the March 15th Council meeting to go over the results and answer any questions Council might have. I've summarized their observations below and have provided our response to such observations as well as any action plans to address identified issues:

- **The Finance Director makes vendor payments and is also responsible for adding and maintaining vendor information.**

- **Response/Action Plan:** Other than EFT transactions that have already posted to our bank accounts, requests for payment are entered into the accounts payable system by either the Accounting Clerk or the Finance Manager. Examples of EFT-type transactions include: (1) debt service payments made via wire or ACH; and (2) the city's payroll processing vendor (Paycor) debiting our payroll checking account for the total amount of the net payroll checks and tax impounds. These transactions have been previously and independently authorized, and the Finance Director entering them only records the transactions on the ledger, it doesn't initiate the disbursement of funds.

Once a regular invoice payment request has been entered into the system, the item is then routed to the appropriate department Director for approval, and then on to the City Administrator for approval as well. The Finance Director receives these items **only after** the prior authorizations have been completed and I am unable to change any of the key information contained in the record (e.g., payee name and address, amount, etc.). If incorrect information is identified at that step in the workflow process, the request is redirected back to the transaction initiator for correction and approval. We will work with SSI, however, to identify a vendor file change audit trail report and establish a process for its' periodic review.

- **The Finance department doesn't verify that Planning & Zoning receipts are sequential in order and that there are no missing receipt numbers.**

- **Response/Action Plan:** The Planning & Zoning Clerk currently provides the Accounting Clerk with copies of each full page of receipts (3 to a page) which ensured that we were able to verify the receipts. In order to improve controls going forward, we will begin keeping a spreadsheet that documents the starting and ending receipt numbers by day to ensure that no receipt numbers are missing, and that any voided receipts are documented.

- **The Finance Director has access to the employee master file and performs a gross/net pay reasonableness review.**

- **Response/Action Plan:** In such a small department, it is necessary for both the Finance Director and Finance Manager to have access to the employee master file for purposes of backup in the event of an emergency or illness. It is important to note, however, that all rate changes are provided to the Finance Manager by the Finance Director in the form of a 'Salary Notice' which is signed by the individual employee and the Finance Director. The Finance Manager manages the rate change process by entering the changes into the payroll system with the relevant effective dates. The Finance Director does not enter any rate changes

into the system unless the Finance Manager is unable to do so (illness, etc.).

With that said, we've identified a payroll report from Paycor (copy attached with names redacted) that serves as an audit trail for any and all changes made to the employee master file. The report identifies the previous and new information, as well as the user making the change and the date/time of such change. We will begin printing this report and reviewing the identified changes as a part of the bi-weekly payroll process to ensure that no non-authorized changes have been made.

- **The city utilizes a number of systems in each focus area, with most not having a formal review of user access on a periodic basis.**
 - **Response/Action Plan:** As a small city, the number of authorized users on the city's network and any of the various systems (SSI VIP, Baldwin, Paycor, Park National Bank, etc.) are very limited and easy to manage. Whenever an employee is hired or terminated, the city's IT provider (Keytel) is notified to add or remove the appropriate email account and provide or deactivate a network user ID and password. Access to the banking and payroll systems is severely restricted and is managed by the Finance Director. Whenever employees are hired, access is granted on a needs-only basis. To improve our internal control processes, however, we will create a policy that formalizes a review of user system access on at least an annual basis.

- **The utility billing system is not integrated into the city's accounting and general ledger system.**
 - **Response/Action Plan:** The Utility Billing Manager produces daily transaction summary reports that are then transmitted to the Finance Director for posting to the SSI VIP system. In addition to the data file, reports are printed from the SSI eGov utility billing system and are sent to the Finance Director to use for validation purposes. Long-term, we plan to upgrade the billing system to the integrated utility billing module in the VIP system. It is currently in the CIP plan for 2022.

- **Human Resources:** Continued the recruiting process for the hiring of seasonal employees in the Parks & Recreation department, including pool operations staffing. The application period for these positions has closed, and all the applications provided to the administration for review.



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Ohio**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO

Nonentitlement Allocation Projections, 03.08.21

(all totals in **millions**)

Note: Estimates use 2019 Census data to identify populations eligible for assistance, and do not include villages or other sublocal entities that may also qualify for funding. Projected amounts may be distributed to more nonentitlement governments than are listed in the breakdown to the extent that eligible nonentitlement governments have overlapping populations (for example, residents of a village government and town government in New York). What this means is that village AND town governments will be receiving a direct allocation of federal assistance, as intended by the legislation, but village amounts are not included because of the complications of calculating those amounts until a process is put in place to divvy up funds between overlapping governments. Identification of eligible governments and distribution of assistance across units with overlapping populations may reflect decisions made by the Department of Treasury and state governments.

Unit	State	Allocation
Pataskala city	Ohio	3.11
Patterson village	Ohio	0.03
Paulding village	Ohio	0.67
Payne village	Ohio	0.22
Peebles village	Ohio	0.34
Pemberville village	Ohio	0.28
Peninsula village	Ohio	0.11
Pepper Pike city	Ohio	1.24
Perry village	Ohio	0.32
Perrysburg city	Ohio	4.24
Perrysville village	Ohio	0.14
Phillipsburg village	Ohio	0.11
Philo village	Ohio	0.14
Pickerington city	Ohio	4.34
Piketon village	Ohio	0.42
Pioneer village	Ohio	0.27
Piqua city	Ohio	4.18
Pitsburg village	Ohio	0.07
Plain City village	Ohio	0.90
Plainfield village	Ohio	0.03
Pleasant City village	Ohio	0.08
Pleasant Hill village	Ohio	0.25
Pleasant Plain village	Ohio	0.03
Pleasantville village	Ohio	0.19
Plymouth village	Ohio	0.35

Employee Profile Change Audit

03/09/2021

Employee Number	Full Name	Changed Field Name	New Value	Previous Value
30207	<i>Employee NAMES REDACTED</i>	Pay Rate 1 Rate	25.77	24.83
30207		Pay Rate 1 Reason	Wage Rate Change	Anniversary
30207		Pay Rate 1 Reason	Anniversary	Change in Pay Matrix
30207		Pay Rate 1 Rate	24.83	23.89
50028		Pay Rate 1 Rate	26.52	25.55
50028		Pay Rate 1 Reason	Wage Rate Change	Anniversary
50028		Pay Rate 1 Rate	25.55	24.64
50043		Pay Rate 1 Rate	25.80	23.93
50043		Pay Rate 1 Reason	Anniversary	Wage Rate Change
50043		Pay Rate 1 Reason	Wage Rate Change	Anniversary
50043		Pay Rate 1 Rate	23.93	23.09
40036		Deduction Code Def Comp Amount	1000.00	900.00
40036		Deduction Code Def Comp Rate	Client Rate	
50041		Pay Rate 1 Rate	24.80	22.93
50041		Pay Rate 1 Reason	Anniversary	Wage Rate Change
50041	Pay Rate 1 Rate	22.93	22.09	
50041	Pay Rate 1 Reason	Wage Rate Change	Anniversary	
50041	Pay Rate 1 Rate	28.02	26.99	
30135	Pay Rate 1 Reason	Wage Rate Change	Change in Pay Matrix	
30135	Pay Rate 1 Rate	28.02	26.99	
30153	Pay Rate 1 Rate	28.02	26.99	
30153	Pay Rate 1 Reason	Wage Rate Change	Change in Pay Matrix	
30131	Pay Rate 1 Rate	28.02	26.99	
30131	Pay Rate 1 Reason	Wage Rate Change	Change in Pay Matrix	
30154	Pay Rate 1 Rate	26.27	25.30	
30154	Pay Rate 1 Reason	Anniversary	Wage Rate Change	
30154	Pay Rate 1 Reason	Wage Rate Change	Anniversary	
30154	Pay Rate 1 Rate	25.30	24.39	
40020	Benefit Code VacNew NextYearEndDate	03/23/2022	03/23/2021	
30139	Pay Rate 1 Rate	34.13	33.38	
30139	Pay Rate 1 Reason	Bachelor's Degree .75 increase	Quit school take off .75	
30139	Pay Rate 1 Rate	27.74	25.77	
30206	Pay Rate 1 Reason	Anniversary	Wage Rate Change	
30206	Pay Rate 1 Reason	Wage Rate Change	Anniversary	
30206	Pay Rate 1 Rate	25.77	24.83	
50042	Pay Rate 1 Rate	25.55	23.68	
50042	Pay Rate 1 Reason	Wage Rate Change	Anniversary	
50042	Pay Rate 1 Rate	23.68	22.84	
50042	Pay Rate 1 Reason	Wage Rate Change	Anniversary	
30150	Pay Rate 1 Rate	22.93	21.04	
30150	Pay Rate 1 Reason	Wage Rate Change	Change in Pay Matrix	
30116	Benefit Code VacNew NextYearEndDate	03/18/2022	03/18/2021	
30018	Pay Rate 1 Rate	28.02	26.99	
30018	Pay Rate 1 Reason	Wage Rate Change	Sgt to Patrol Officer	
30137	Pay Rate 1 Rate	28.02	26.99	
30137	Pay Rate 1 Reason	Wage Rate Change	Change in Pay Matrix	
30151	Pay Rate 1 Rate	29.02	27.99	
30151	Pay Rate 1 Reason	Wage Rate Change	Change in Pay Matrix	



City of Pataskala Internal Controls Assessment

Final Report

3/10/21

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Executive Summary

Objectives and Approach

Schneider Downs (SD) was engaged to perform an internal controls assessment for the City of Pataskala. The purpose of this review and assessment was to evaluate and understand policies and procedures, as well as controls and the segregation of duties within the following areas: Purchasing & Payables, Revenue & Receivables, Treasury and Payroll.

To accomplish the objectives of this engagement, a control assessment tool was prepared by Schneider Downs and finalized with process owners and reviewed by management to document the existing processes and controls. In order to complete the control assessment tool, in-depth walkthroughs of the in-scope financial and business processes were performed. Additionally, limited testing was performed over identified controls to assess operating effectiveness. A summary of our approach is as follows:



Executive Summary

Conclusion

Based on the procedures performed during our assessment and summarized on the following slide, we noted **5 observations** through the **assessment of 92 risks** over **8 key business processes**. Based on the number of risks assessed and the minor recommendations noted, we believe the City of Pataskala has designed and implemented a strong internal control environment. We have identified minor recommendations to further mature the control environment.

Process Area	Number of Risks Evaluated	Number of Controls Identified	Total Number of Observations	Risk Rating			
				Low Risk	Moderate Risk	High Risk	Process Improvement
Court Receipts	12	4	0	0	0	0	0
General Receipts	15	4	0	0	0	0	0
Payroll	10	11	1	1	0	0	0
Planning & Zoning	12	6	1	1	0	0	0
Procurement & AP	12	14	1	1	0	0	0
Systems & 3 rd Parties	5	2	1	1	0	0	0
Treasury & Debt	11	14	0	0	0	0	0
Utilities	15	15	1	0	0	0	1
Total	92	70	5	4	0	0	1

Please see Risk Rating definitions at slide 14

In-scope Process Areas – Key Risk Universe*

Court Receipts	General Receipts	Payroll	Planning & Zoning
<ul style="list-style-type: none"> • Receipts are not applied or applied to the incorrect account. • Receipts are not recorded within the accounting system. • All cash received is not deposited. • Receipts are not reconciled to the bank statement. • Access to software is not appropriately limited. • Proper segregation of duties does not exist. • Outstanding receivables are not attempted to be collected. 	<ul style="list-style-type: none"> • Revenue received is not applied to the correct account or fund. • Cash received from other departments is not reconciled back to the source system. • Reconciliations are not performed or not performed on a timely basis. • Proper segregation of duties does not exist. • Third parties are not monitored for performance. • Inter-governmental transactions are not properly approved. 	<ul style="list-style-type: none"> • Unapproved timecards are paid or employees are paid for work that is not performed. • Fictitious employees (“ghost employees”) are on the payroll. • Employee earnings are inaccurate or improperly calculated. • Payroll tax deductions are inaccurate and are not appropriately remitted. • SOC reports or proper monitoring of third-party service providers are not reviewed. • Payroll accounts and related accruals are inaccurate and not appropriately reconciled. • Annual incentive bonuses are inaccurate or not properly approved. 	<ul style="list-style-type: none"> • Permits are issued without being approved or without receiving the appropriate fee. • Funds received are not deposited in the bank. • Receipts are not reconciled to the bank statement. • Proper segregation of duties does not exist. • Receipts are not applied to the correct account or fund. • Refunds are issued without proper approval. • Properties are not reassessed following completion of a project.

*These are the key risks that we assess throughout the engagement and are not indicative of all risks evaluated, any findings or conclusions.

In-scope Process Areas – Key Risk Universe*

Procurement & Accounts Payable

- Changes to vendor master file data are not accurate or are unauthorized.
- All goods or services are not received before payment is made.
- Goods or services are not purchased with proper authorization in accordance with policy.
- Duplicate invoices are processed and recorded.
- Cash disbursements are invalid.
- Payables and accruals are not accurately recorded and reconciled.
- Travel and expense reports are not appropriately prepared and approved.

System & 3rd Parties

- Access to key systems, including the accounting system, payroll system and online banking, is inappropriate or a lack of segregation of duties exists.
- Employees not verified as legitimate users or separated former employees have system access.
- Network monitoring software that does not alert network management of security breaches.
- Users are given customer roles instead of utilizing system-generated roles.
- SOC reports or proper monitoring of third-party service providers are not reviewed.

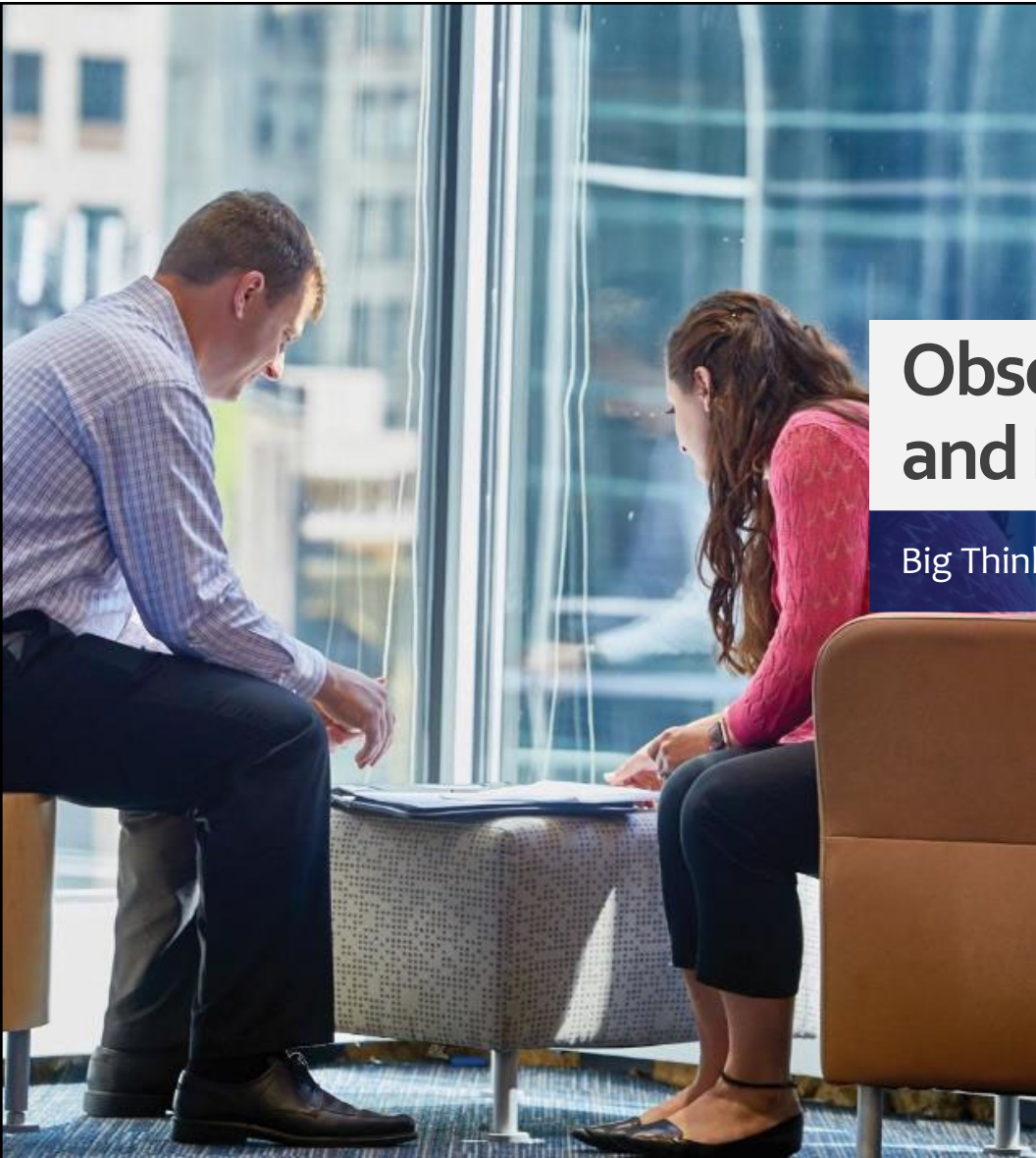
Treasury & Debt

- Unauthorized bank accounts are established.
- Access to online banking is inappropriate.
- Unreconciled balances exist between revenue systems and bank statements.
- SOC reports or proper monitoring of third-party service providers are not reviewed.
- Debt and other financial commitments are inappropriately approved or are not paid in a timely manner.
- Unauthorized ACH, wire or funds transfer is approved or not recorded in the GL.
- Investment activity is not authorized.

Utilities

- Cash received is not applied to customer accounts or deposited in the bank.
- Receipts are not recorded within the utility system or accounting system.
- Reconciliations are not completed or not completed on a timely basis.
- Adjustments to meter readings are inappropriately made.
- All meters are not read for billing.
- Bills are not sent to all customers.
- Delinquent customers receive service without penalty.
- SOC reports or proper monitoring of third-party service providers are not reviewed.

*These are the key risks that we assess throughout the engagement and are not indicative of any findings or conclusions.



Observations, Recommendations and Management Responses

Big Thinking. Personal Focus

Summary of Observations

Risk Rating: ●

Procurement & Accounts Payable

Observation/Recommendation

Observation:

The Finance Director has access to make payments to vendors and is also responsible for adding new vendors and updating current ones. The system access and responsibility of vendor management create a potential segregation of duties issue and best practice is for them to be completed by separate individuals or a mitigating control be implemented as noted below.

Recommendation:

Due to limited resources and the need for a back up with the same access, we recommend for management to consider implementing a monthly or quarterly independent review of a system-generated report showing all vendor updates during the month to validate that all changes were authorized. This review should be completed by someone independent of those responsible for making payments and maintaining vendors such as the City Administrator. The Finance Director has noted the bank is in process to include vendor name in their Positive Pay review of check runs which will help mitigate this risk further.

Management Response/Action Plan

Other than EFT transactions that have previously posted to our bank accounts, requests for payment are entered into the accounts payable system by either the Accounting Clerk or the Finance Manager. Examples of EFT-type transactions include: (1) debt service payments made via wire or ACH; and (2) the city's payroll processing vendor (Paycor) debiting our payroll checking account for the total amount of the net payroll checks and tax impounds. These transactions have been previously and independently authorized, and the Finance Director entering them only records the transactions on the ledger, it doesn't initiate the disbursement of funds. We will work with SSI, however, to identify a vendor file change audit trail report and establish a process for its' periodic review.

Target Completion Date: In Process; April 2021

Summary of Observations

Risk Rating: ●

Planning and Zoning

Observation/Recommendation

Observation:

The Planning and Zoning Clerk provides Finance with funds received along with a copy of the receipt that is issued when a permit is approved. However, Finance does not verify the receipts are in sequential order to verify all funds were provided to Finance.

Recommendation:

SD recommends that as part of the bank reconciliation process, for the Finance Department to verify the receipts received from the Planning and Zoning Clerk are in sequential order.

Management Response/Action Plan

The Planning & Zoning Clerk currently provides the Accounting Clerk with copies of each full page of receipts (3 to a page) which ensured that we were able to verify the receipts. In order to improve controls going forward, we will begin keeping a spreadsheet that documents the starting and ending receipt numbers by day and deposit to ensure that no receipt numbers are missing, and that any voided receipts are documented.

Target Completion Date: April 2021

Summary of Observations

Risk Rating: ●

Human Resources & Payroll

Observation/Recommendation

Observation:

The Finance Director has access to employee master file and does a gross/net pay reasonableness review. This proposes a potential fraud risk of the person making rate changes and reviewing final gross/net for each pay run.

Recommendation:

SD recommends for an independent person (i.e. Finance Manager) review an employee change report bi-weekly from the individual making employee changes.

Management Response/Action Plan

In a small department, such as the Finance department, it is necessary for both the Finance Director and Finance Manager to have access to the employee master file for purposes of backup in the event of an emergency or illness. It is important to note, however, that all rate changes are provided to the Finance Manager by the Finance Director in the form of a 'Salary Notice' which is signed by the individual employee and the Finance Director. The Finance Manager manages the rate change process by entering the changes into the payroll system with the relevant effective dates. The Finance Director does not enter any rate changes into the system unless the Finance Manager is unable to do so (illness, etc.).

With that said, we've identified a payroll report from Paycor that serves as an audit trail for any and all changes made to the employee master file. The report identifies the previous and new information, as well as the user making the change and the date/time of such change. We will begin printing this report and reviewing the identified changes as a part of the bi-weekly payroll process to ensure that no non-authorized changes have been made.

Target Completion Date: April 2021

Summary of Observations

Risk Rating: ●

Systems & 3rd Parties

Observation/Recommendation

Observation:

There are numerous systems and third parties involved within the control environment (such as the City's network, SSI VIP, SSI eGov, Baldwin, F&E, Park National, Paycor, etc.), with most not having a formal review of user access on a periodic basis.

Recommendation:

SD recommends that as departments grow and expand, formal reviews of access are implemented on a periodic basis to verify users are still active employees and user access is appropriate given his or her job responsibilities.

Management Response/Action Plan

As a small city, the number of authorized users on the city's network and any of the various systems (SSI VIP, Baldwin, Paycor, Park National Bank, etc.) are very limited and easy to manage. Whenever an employee is hired or terminated, the city's IT provider (Keytel) is notified to add or remove the appropriate email account and provide or deactivate a network user ID and password. Access to the banking and payroll systems is severely restricted and is managed by the Finance Director. Whenever employees are hired, access is granted on a needs-only basis. In order to improve our internal control processes, however, we will create a policy that formalizes a review of user system access on at least an annual basis.

Target Completion Date: End of 2021

Summary of Observations

Risk Rating: ●

Utilities

Observation/Recommendation

Observation:

Currently, the Utility billing and revenue receipt platform does not interface with the accounting system even though they are through the same software provider. We understand management is currently in the process of working with the vendor to update that program.

Recommendation:

Ensure appropriate user acceptance testing is document to ensure completeness and accuracy of the interface of transactions.

Management Response/Action Plan

The Utility Billing Manager produces daily transaction summary reports that are then transmitted to the Finance Director for posting to the SSI VIP system. In addition to the data file, reports are printed from the SSI eGov utility billing system and are sent to the Finance Director to use for validation purposes. Long-term, we plan to upgrade the billing system to the integrated utility billing module in the VIP system. It is currently in the CIP plan for 2022.

Target Completion Date: End of 2022

Interviewees and SD Team

• Responsible Parties

Key Management/Contacts:





- Jamie Nicholson, Finance Director
- Janice Smith, Finance Manager
- Chris Sharrock, Utility Director
- Stephanie Tallman, Billing Manager
- Lisa Paxton, Planning and Zoning Clerk
- Brandi Taft, Mayor's Court Clerk

SD Risk Advisory Services Team:

- Tony Ielase, Director
- Carley Taslov, Senior Manager
- Eric Davis, Senior
- Neel Patel, Staff

Rating Methodology

Exhibit I - Observations Rating Criteria

RATING		DEFINITION
	High	A deficiency exists that is indicative of an unacceptable level of control and/or the deficiency does not provide reasonable assurance regarding the safeguarding of assets, reliability of financial records or compliance with company policies or regulations. Exposes the entity being audited to a material extent in terms of achievement of the entity's objectives or financial results.
	Moderate	A deficiency exists that is indicative of an undesirable level of control and/or control may impair the objective of providing reasonable assurance regarding the safeguarding of assets, reliability of financial records or compliance with company policies or regulations. Exposes the entity being audited to a moderate extent in terms of achievement of the entity's objectives or financial results
	Low	A deficiency exists that is indicative of a minor weakness in the control structure, however, does not impair the objective of providing reasonable assurance regarding the safeguarding of assets, reliability of financial records or compliance with company policies or regulations. Could result in an undesirable effect on the achievement of the entity or process-level objectives and an immaterial impact on financial results.
	Enhancement	Process improvement/best practices suggestion for management's consideration.