

City of Hopewell

Project Management Office and
Accounting Remediation Services

October 12, 2023





Our Time Together Today



1 Introductions



2 Objective



3 Current State



4 Progress



5 Personnel and Capabilities



6 Findings & Next Steps

Who's Here Today



Robert C. Bobb
RBG President & CEO



Jack Reagan
UHY Managing Director

Objective

To transparently present the current financial landscape of Hopewell by highlighting the **challenges identified**, showcasing **progress made to date**, and outlining **actionable strategies** for future financial recovery and transformation.

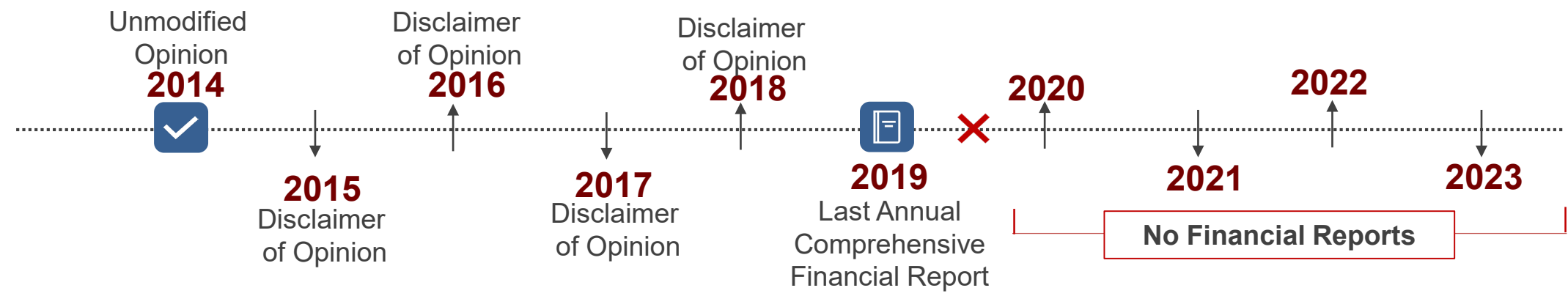




Hopewell Current State

Commonwealth of Virginia concerns:

- Last Audit with an unmodified opinion **FY 2014**.
- Last Annual Comprehensive Financial Report & Federal Single Audit issued was **FY 2019**.
- Auditor of Public Accounts unable to evaluate the financial vitality of the city.



"A city's financial transparency is its lifeline. It's time to heal and strengthen ours."

Progress at a Glance

WHAT HAVE BEEN DONE

1. Current State Assessment.
 - Finalizing Financial Walkthroughs and Control Narratives.
 - Tracking 2015-2019 Audit Findings for Remediation.
 - Identification of 93 Additional Issues for Remediation Across All Departments within People, Process, and Technology.
2. Assessment of Personnel.
3. Industry Partner Collaboration.
4. Briefings with the State Auditor's Office and the Commonwealth's Secretary of Finance.
5. Assessment of the MUNIS Financial System and Proposal of Recommended Roadmap.
6. Collaboration with External Auditor Robinson, Farmer, and Cox.

WHAT IS NEXT

Five (5) key areas moving forward

1. **Personnel:** Shoring up personnel and culture with skill gap training, organization change management, and new leadership resources.
2. **Audit Preparation:** Initiating financial statement and single audit reconciliations.
3. **System Configuration and Training:** Updating the MUNIS Financial System to become a reliable End-to-End Solution and Consolidating Timekeeping.
4. **Industry Partner Resolution:** Resolving the Wastewater Renewal Commission and Industry Partner Concerns.
5. **Standards, Policies, and Procedures:** Documenting Standard Operating Procedures and Process Flows Within and Between Departments.

Personnel and Capabilities



Personnel and Capabilities

Financial Department

- Leadership skill gap identified.
- Plan for backfilling with an experienced Chief Financial Officer.
- Robert Half - Resource Replacement.

Treasurer Department

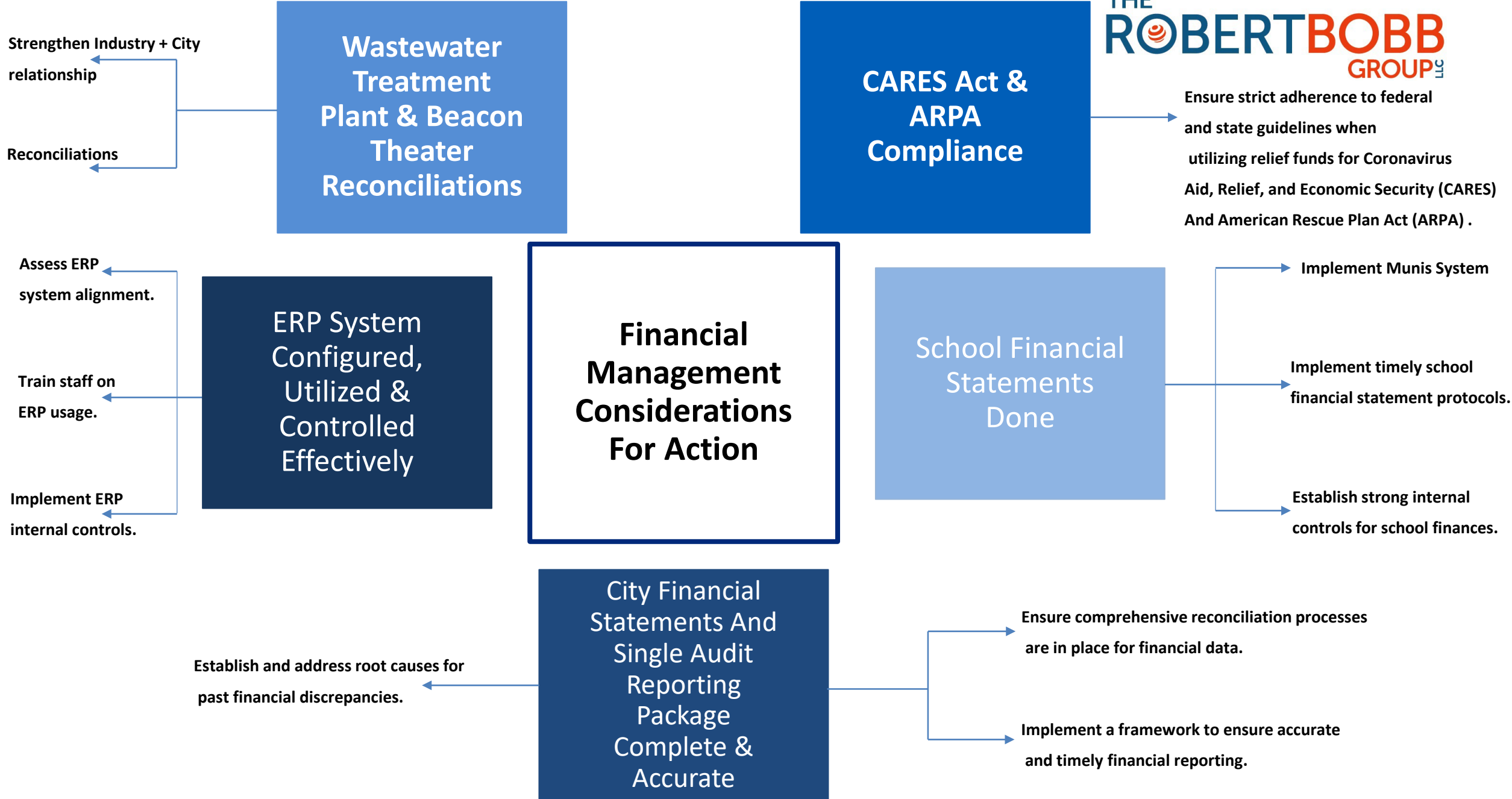
- Strengthening Treasurer's Department with embedded resources.



Audit Preparation

Draft financial statements.

Draft single audit reporting package.





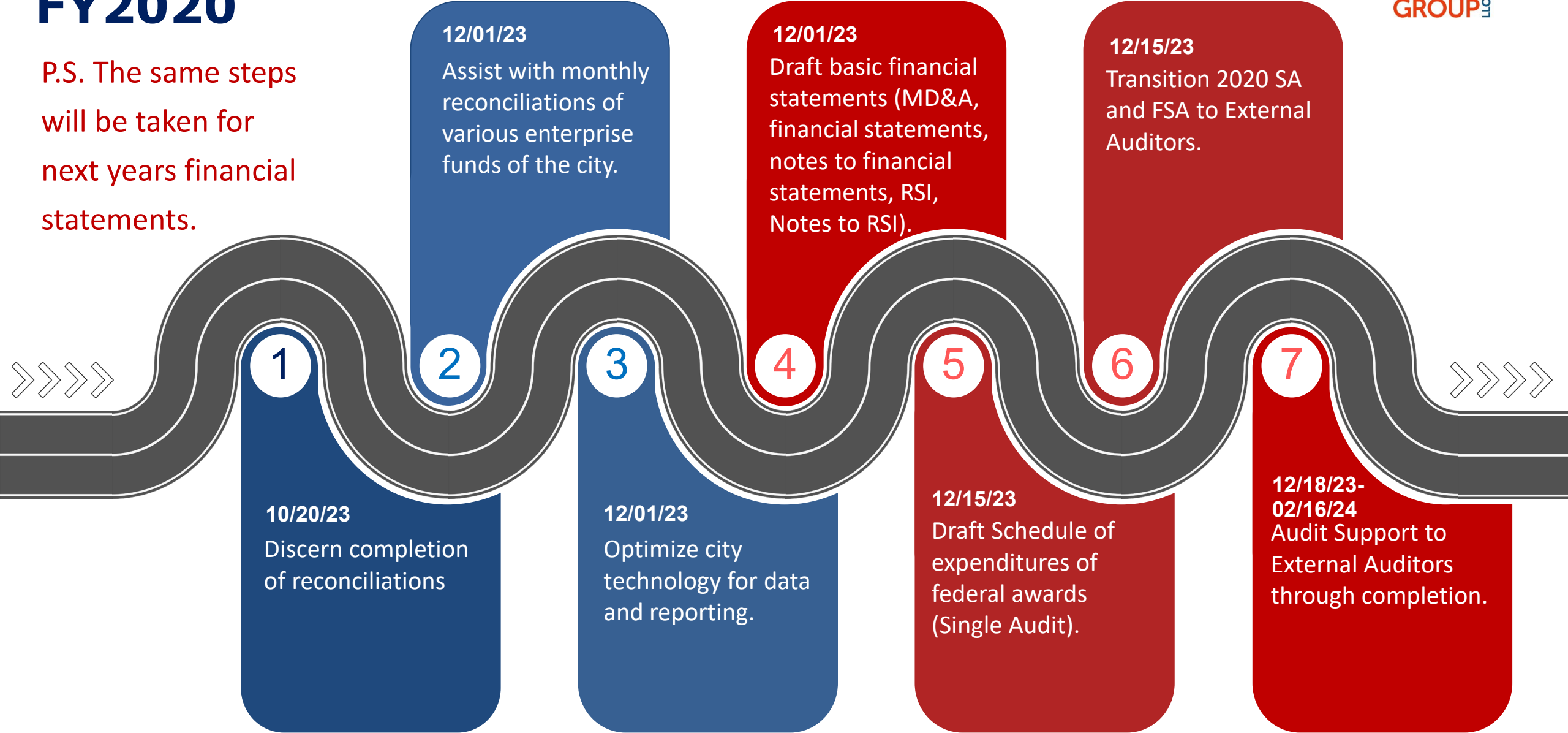
Financial Statements Timeline

- Timeline for finalizing previous financial statements for auditing.
- Once ready for auditing, it will be forwarded Robinson, Farmer, Cox Associates, who has indicated a 45-day timeframe to complete both the Financial statement and Single Audit.
- The first audit will take longer, as the team will be remediating the prior books from FY2019, so that the City can obtain an unmodified opinion for FY 2020.



Financial Statements Roadmap FY2020

P.S. The same steps will be taken for next years financial statements.



System Configuration and Training

MUNIS System Limitations

Challenges with Timekeeping Systems



System Purpose



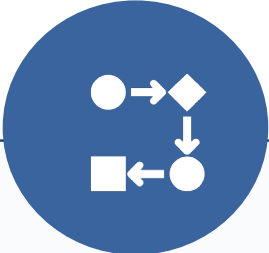
What is the MUNIS ERP System?

- **MUNIS** stands for Municipal Information Systems.
- It's an Enterprise Resource Planning (ERP) solution designed to **handle a city's core financial functions.**



Impact of Inefficient Use

- **Audit Complications:** One of the primary reasons for not achieving a clean audit in the past has been the suboptimal configuration and utilization of the MUNIS system.
- **Financial Discrepancies:** Errors in the system can lead to financial discrepancies, affecting budgeting, reporting, and decision-making.



Our Goal

- **Optimize the system's usage** to rectify past issues and pave the way for consistent clean audits in the future.
- Optimize **city processes** and enhance **transparency** and **efficiency.**

System Assessment



Obstacles Identified

- Inconsistent Reconciliation & Reporting.
- Inconsistent Control Structure, Policies & Procedures.
- Unclear Roles.
- Mismatched Records.
- Communication Issues.
- Segregation of Duties and Improperly Setup.



Impact on the City

- Financial Credibility & Trust.
- Operational Inefficiencies.
- Budgetary & Funding Issues.
- Potential Financial Risks.
- Stalled Decision Making.
- Decreased Morale & Productivity.

MUNIS was poorly implemented at the outset, with no parallel operation, leaving well-meaning and frustrated employees at agencies to **do their own workarounds.**

System Assessment



The Fix

- Update/create Enterprise Resource Planning (ERP) System related policies and procedures.
- Enhance ERP security, workflow rules, and separation of duties.
- Implement unused Tyler modules for optimized utility.
- Streamline bank reconciliations & General Ledger.
- Redefine Chart of Accounts for improved reporting.
- Address past audit concerns in the ERP.
- Enhance training for officials and department users through Tyler PACE and other relevant programs.



The Process

- Collaborate with consulting teams to refine ERP policies and ensure staff comprehension.
- Work with ERP Stakeholders to adjust security and workflow protocols.
- Create a communication plan for best practices and workflow enhancement.
- Support the ERP IT team during system updates and modifications.

A key going forward is **one reporting system** → aligned with **consistent, trained, and enforced policies & procedures** in every department → an effective tool for **auditable financials**.



System Assessment – Future State



Complete reconciliation and work with City team to understand proper policies and procedures in conjunction with the ERP system.



Ensure accuracy of chart of accounts (COA) and reporting.



Confirm users are following proper policies and procedures.



Proper process and timing of reconciliation.



Reconcile FY 2021 and FY 2022 by June 2024 on Munis System .



Follow best practices for cleaner data and reporting.



Submit local, state, and federal reporting in a timely manner.



Complete FY 2023 and FY 2024 reconciliation, submit financial statements on time, and complete clean fiscal audits.

Timekeeping System Inconsistencies

Not all departments use the Employee Self Service (ESS) system for timekeeping:

- Some use standalone systems, and others manually input hours.
- Police and Water Renewal use their own systems and must import data into Munis.
- There's ambiguity with systems like Executime used by Recreation and Public Works, as it's unclear if they are in use.



POLICE DEPARTMENT

Use **TimeForce** (cloud base system) for their timekeeper.

Lack of SOC Report.

Lack of data verification from Time Force to Munis



WATER RENEWAL

Uses **SwipeClock** (cloud base system) for their timekeeper.



FIRE DEPARTMENT

Manually Time Records outside of Munis System.

Should investigate automating Fire Department timekeeping.

Industry Partner Resolution



- For the City of Hopewell to thrive, it is imperative that we maintain a good relationship with our industry partners.



Industry's Primary Concerns Addressed to the City

Reconciliations Status

- Ensure up-to-date operational & capital reconciliations.
- Prioritize timely updates.

Wastewater Facility Maintenance

- Recognize the criticality of consistent maintenance.
- Understand and mitigate the impact on industries.
- Engage with the industry for both ongoing and urgent concerns.

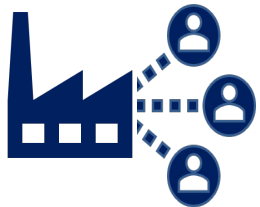
Capital Projects Oversight

- Ensure past projects are approved, funds utilized, and reviewed.
- Seek additional funding only after reviewing past projects, unless facing emergencies.



The foundation of the city's growth and progress lies with maintaining **strong relationships with industries.**

The **effective operation of the wastewater treatment plant** directly impacts the success and sustainability of the community.



Collaborate and train residents for **industry roles.**
Strengthen community through collaborative employment.

Standards, Policies & Procedures

Culture of Ownership & Accountability Missing

ISSUES

REMEDIATIONS

1

Gap in role clarity and adaptability among employees.

Enhance and update policies and procedures.
Optimize the MUNIS System.
Leadership development.

2

Inconsistent application of policies and procedures; culture permits deviations without consequences.

Document walkthroughs.
Establish process flows.
Training on updated policies and procedures.

3

Insufficient coordination between departments.

Map business and data flow.
Re-educate teams accordingly.

4

Inadequate follow-up on known issues; system of record doesn't reflect remediation.

Use of data analysis to look at each detailed account and fill in gaps to reconcile cleanly.

Current State

- Delays in clean audits & financial statements.
- Need for ERP system optimization.

Process

- Preparation of audit books ensuring they can support a disclaimer of opinion.
- Update/Create Standard Policies & Procedures
- Coordination with consulting teams for ERP policy adjustments.
- Schedule ERP training using Tyler PACE.
- Address ERP security & separation of duties.
- Establish communication plan for optimal workflow.

Future State

- Accurate reconciliation with team understanding.
- Precise chart of accounts & reporting.
- Users adhere to policies & procedures.
- Timely reconciliation process.
- Adoption of best practices for data & reporting.
- Prompt reporting submissions to local, state, and federal entities.
- Clean fiscal audits for past years.
- Ability to produce financial statements that are accurate and timely.

Thank you