

The Independent Consultant's Final Evaluation and Reporting
on the Internal Control Environment for the City of Harvey

ICL, LLC

By

James Hill III, CPA

December 30, 2021



December 30, 2021

Mayor Christopher J. Clark
City of Harvey
City Hall
15320 Broadway Avenue
Harvey, IL 60426

Dear Mayor Clark,

As part of the Consent of the Defendant (“Consent”) in the matter of U.S. Securities and Exchange Commission (“Plaintiff”) vs. City of Harvey (“Defendant”) and Joseph T. Letke (“Co-Defendant”), in December 2014, the Defendant was required to retain an Independent Consultant for a period of not less than 3 years, pursuant to a written agreement. The jurisdiction of the Independent Consultant was limited to:

- a) Recommending policies and procedures intended to strengthen internal controls and oversight over Defendant’s financial reporting, use of proceeds from the issuance of municipal bonds, and disclosures in connection with preliminary and final offerings of any future securities offering for which Defendant is an issuer or obligated person; and
- b) Evaluating and reporting to the United States District Court, Northern District of Illinois Eastern Division (“Court”), regarding implementation of those recommendations.

In connection with developing any recommendations, the Independent Consultant was authorized to review any weaknesses in internal controls and oversight over Defendant’s past financial reporting, use of proceeds from the past issuance of municipal bonds, and disclosures in connection with past preliminary and final offerings of securities offerings by the Defendant.

Our firm (“ICL, LLC”) was retained by the Defendant as the Independent Consultant on June 26, 2015. As outlined in the Consent, we were required to submit an interim status report to the Court within 180 days of the date of the Independent Consultant agreement (“First Report”) and then on an annual basis for the duration of the term of our agreement.

A final report was required within 180 days of the expiration of our agreement term to the Court regarding the discharge of ICL LLC’s responsibilities and the City’s implementation of our recommendations. That final report was issued on March 29, 2019.

SCOPE OF ENGAGEMENT

Pursuant to a subsequent "Consent Judgment" entered into between the City of Harvey, IL and the U. S. Securities and Exchange Commission (SEC), filed January 13, 2021, our firm was engaged to perform the following scope of work to assist the City of Harvey with the implementation of our prior recommendations:

- (a) Assess the status of the City of Harvey's remediation efforts surrounding internal control deficiencies disclosed in ICL's most recent report dated March 29, 2019;
- (b) Determine the existence of any newly discovered internal control deficiencies;
- (c) Prepare a project plan and assist the City of Harvey with the implementation of remediation efforts (without scope limitations), the goal of which is substantial compliance with recommendations as outlined in the March 29, 2019 report as well as other internal control improvements as necessary;
- (d) Final evaluation and reporting to the Court, regarding the City of Harvey's implementation of such recommendations, including the recommended deadlines for further remediation efforts.

Our services were performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us.

Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through December 30, 2021. Accordingly, changes in circumstances after this date could affect the observations and next steps outlined in this final evaluation and reporting to the Court.

RESTRICTED USE

This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with, the City of Harvey. ICL, LLC disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than the City of Harvey and the Court. This report is not intended to be and should not be used by anyone other than these specified parties.

ICL, LLC

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December 30, 2021

1. METHODOLOGY

Our firm familiarized ourselves with the City of Harvey (“the City”) and the control environment primarily via inquiry and to a limited extent observation methods as risk assessment techniques. The strategy surrounding our assessment of the City of Harvey’s internal control environment during calendar year 2021 entailed:

- Reviewing the status of the City’s independent audits and the implementation of management letter comments;
- Gathering information via review of existing policies and internal control documentation, management and staff inquiry regarding finance processes and controls;
- Identifying internal control deficiencies as they present themselves based on our interviews;
- Assisting management with the documentation of internal controls over financial reporting;
- Recommending additional improvement opportunities to strengthen the internal control environment.

Prior Reports

Our observations and assessments regarding the City’s internal control environment were reported by our firm annually in each of the following year-end reports:

Report Title	Report Date
Independent Consultant’s First Report on the Internal Controls for the City of Harvey (2015)	December 29, 2015
Independent Consultant’s Annual Report on the Internal Control Environment for the City of Harvey (2016)	December 29, 2016
Independent Consultant’s Annual Report on the Internal Control Environment for the City of Harvey (2017)	December 29, 2017
Independent Consultant’s Final Report on the Internal Control Environment for the City of Harvey (2018)	March 29, 2019

Internal Control Environment – Areas of Review

The following were areas of emphasis of our previous internal control review assessments during the initial three-year review period:

Areas of Review	Review Year
Payroll and Human Resources, Accounts Payable and Cash Disbursements	2015
Revenue Collection and Accounts Receivable	2016
Utility Billing and Receivership Activities	2017
Finance Software and Applicable Modules	2018

Significant Changes

Based on interviews completed with City officials and staff, review of documents obtained from the City and third parties, and observation of procedures and controls, we gained an understanding of the internal controls in place for the City of Harvey. We also observed changes that were implemented. The following is a summary of the key changes in the internal control environment with the City that we observed:

- The hiring of a new City Administrator and Deputy City Administrator
- The hiring of a new Finance Director
- The hiring of a new Inspector General
- The hiring of a new Director of Human Resources
- The hiring of a new Director of Planning and Development
- The hiring of a new TIF Administrator
- A Cook County Circuit judge has turned control of Harvey’s municipal water system back to the city after being run under the auspices of a court-appointed receiver since August 4, 2017
- The implementation of Paycom, which is a comprehensive Human Resource and Payroll management software system in the following areas:
 - Talent Management (Including, Applicant Tracking, and Employee Onboarding)
 - Payroll Management (Time and Labor, Personnel Action forms, Promotions, Compensation Changes)
 - Benefits Administration
 - Risk Management
 - State and Federal Compliance

Unchanged Areas

- Independent audit management letter recommendations/findings (certain issues remain open)
- Ongoing challenges regarding ethic allegations within the police department

Securities Transactions

We reviewed development proposals offered to the City in previous internal control reviews that could have involved municipal bond transactions and other funding obligations. We advised the City against involvement with any proposed development transactions. It is important to note that currently, we are not aware of any new potential municipal bond offerings that the City of Harvey is planning. This report does not contain any references or recommendations regarding the use of municipal bond proceeds or any requisite disclosures in connection with preliminary and final security offerings.

2. INTERNAL CONTROL ENVIRONMENT

Internal controls are policies and procedures in place that protect the assets of an organization, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient operations. In each of our annual reports we provided the status of internal control recommendations offered as well as discussions of newly identified issues that were discovered during the year.

Presented below is a summary of the status of the observations and recommendations that have been presented in prior years regarding internal controls as well as an approximate range of time to remediate such issues given an urgency of prioritization and adequate resources:

<u><i>Payroll and Human Resources</i></u>	<u><i>Status</i></u>	<u><i>Estimated Time to Implement</i></u>
The current ERP (Paycor) system experiences periodic failed readings for the biometric system designed to track time and attendance, which begs the question of current systems has reliability.	Remediated With the Implementation of Paycom	Not applicable

The Fire Department does not use the Paycor system at all due to the nature of their shifts, thus all payroll authorizations are manual.	Remediated With the Implementation of Paycom	Not applicable
Shadow systems (spreadsheets) have been used by department heads to compensate for the payroll system's unreliability. The use of spreadsheets to enter time into the payroll system increases the risk of human error and/or unapproved transactions.	Remediated With the Implementation of Paycom	Not applicable
The process for tracking and monitoring paid time off through spreadsheets (vacations, sick days) is a manual process that is susceptible to human error and inaccuracies.	Remediated With the Implementation of Paycom	Not applicable
There are no detective controls designed to determine if an employee is eligible to receive compensation for paid time off prior to the processing of payroll.	Remediated With the Implementation of Paycom	Not applicable
The existing job descriptions are not complete and needs to be updated.	Remediation is substantially complete with a small number remaining to be completed.	3/31/2022

<u><i>Accounts Payable and Cash Disbursements</i></u>	<u><i>Status</i></u>	<u><i>Estimated Time to Implement</i></u>
Controls surrounding the ability to add vendors to the accounts payable system do not exist.	Remediated Via Documentation of Internal Controls	Not applicable
There is no formal process for reviewing active vs. inactive vendors from the accounts payable system.	Remediated Via Documentation of Internal Controls	Not applicable

There is no formal process for determining whether vendors have been debarred prior to approving certain vendors for contracts.	Remediated Via Documentation of Internal Controls	Not applicable
The process for initiating, approving and executing bank electronic payments (ACH, wires) is not documented.	Remediated Via Documentation of Internal Controls	Not applicable

3. MAJOR RISK AREAS AND VULNERABILITIES

- a) **Liquidity Risk and Debt Service** – The City continues to struggle with liquidity issues, lacking the adequate resources to meet obligations as they come due, including but limited to general operating expenses, pension obligations, water sourcing from the City of Chicago and debt service. The City’s net deficit position was approximately \$147 million as of April 30, 2020. This deficit is largely driven by the City’s pension obligation of approximately \$92 million. The status of the City’s municipal bond compliance issues remain a major concern. During fiscal years 2018, 2019 and 2020, the City defaulted on certain General Obligation Bonds. The City is in the process of negotiations to restructure certain bond obligations under a bondholder settlement deadline of June 2, 2022, pursuant to a court-approved consent decree. General obligation bond indebtedness was approximately \$31.6 million as of April 30, 2020.
- b) **Timeliness of Independent Audits and Finance Department Structure** – The major focus of the Comptroller during our previous review periods has been the timely completion of the City’s independent financial audits. The most recently issued independent audited financial statements has been for the fiscal year ended April 30, 2020, however significant deficiencies and material weaknesses in internal control over financial reporting and compliance according to Government Auditing Standards continue to exist.

Additionally, the City is in the process of transitioning from an outsourced model of running the finance department. With the recent hiring of a full-time Finance Director, the City is currently evaluating a new finance department structure and will be adding at least two more full-time equivalents. City management should ensure that job descriptions are vetted and budgetary accommodations are made prior to the posting of additional finance related positions to reduce the risk that new employees are hired that lack adequate skills, knowledge

and experience to effectively run the department. This is especially important with the potential hiring of the Assistant Finance Director position, which we believe is critical to the effectiveness of the evolving structure of the finance department. Without filling this specific role (or the equivalent thereof), the City's control environment will be at risk as there will be no supplemental talent (bench strength) on staff to produce timely and accurate financial reporting, address complex accounting issues as they arise and correct transaction processing errors.

More specifically, as defined by the COSO Integrated Framework, a "Commitment to Competence" demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives. Ultimately, an improperly and inadequately staffed finance department could serve to usurp the substantial gains and improvements made in 2021 in the design of the City's control environment.

- c) **Staffing Resources – Planning and Economic Development** – Staffing of key roles within the Planning and Economic Development department continue to be a major concern. To help address this issue, the City has contracted with an outside firm to outsource all major roles and functions surrounding licenses and permits within this department effective January 1, 2022.

4. ASSESSING THE INTERNAL CONTROL ENVIRONMENT

The overall risk to an entity's financial reporting is the risk of a material misstatement in an assertion, account or disclosure item. The risk of material misstatement involves consideration of an entity's inherent risk and control risk as described below:

- Inherent risk is the susceptibility of an assertion to a material misstatement, assuming there are no related controls. Accounts that reflect subjective estimates or complex calculations are more susceptible to misstatement than accounts whose balances result from routine transactions.
- Control risk is the risk that a material misstatement could occur in an assertion will not be prevented or detected and corrected on a timely basis by the entity's internal control.

As a result of the independent audits, management letters were also issued that described all recommendations and the status of prior recommendations. See **EXHIBIT 1** for details and status of management letter recommendations.

Based on our discussions with the City of Harvey personnel, third parties, and observations completed and review of the documentation provided, along with following the COSO Integrated Framework (**EXHIBIT 2**) we have concluded that the Internal Control Maturity Framework’s designation has improved to “**Standardized**”, which is a significant improvement from the “**Unreliable and Informal**” designation that has been assessed in prior reviews as noted in our previous reports from 2015, 2016, 2017 and 2018. (See **EXHIBIT 3**).

Internal Control Documentation

Within the scope of our work, our team has assisted City’s management in the preparation of tools that document the internal control over financial reporting in certain areas. See **EXHIBIT 4** for the detailed inventory of such processes identified. Such documentation primarily included the creation of the following:

- “Risk Control Matrix” that serves as a resource to capture the details of relevant activity-controls. (See **Exhibit 5 for Risk Control Matrix Key and Example: Capital and Fixed Assets**)
- “Process Maps” that serves as a pictorial diagram for certain processes and subprocesses, with key controls mapped to the applicable Risk Control Matrix. (See **Exhibit 6 for Example: Capital and Fixed Assets - Acquisition**)

Policies, Procedures, Guidelines

During 2020 and 2021, the City’s management has created the following new policies, desk procedures and guidelines. We encourage the City to stay committed to reviewing and updating such policies at least on an annual basis to prevent the risk that guidelines become stale and disincentivize employees to stay compliance. Presented below are an inventory of such policies that have been documented by management:

- Accounting and Finance Policies and Procedures
- Budget Request Guidelines
- Employee Handbook
- Capital Improvements Program Guidelines
- Capital Assets Policy and Procedures
- Collections Process for Past Due Receivables
- Fund Balance Policy
- Purchasing Procedures
- Investment Policy
- Monitoring TIF Agreements
- Revenue Recognition and Collections

- Parking Citation and Tow Process
- Uncollectable Accounts Debt Policy
- Employment of Relatives/Family Members (Anti-Nepotism)
- Overtime Approval Policy
- Payroll Record Changes, Adjustments
- Utility Billing Desk Procedures

5. STATUS OF RECOMMENDATIONS FROM PRIOR INTERNAL CONTROL EVALUATION REPORTS

An effective internal control environment embodies a commitment to excellence starting with the tone at the top. The prioritization of a strengthened internal control environment within the finance and accounting infrastructure is paramount to stabling the City and providing a framework towards building greater confidence from residents, bond holders, potential partners for attracting commerce and the greater community. Presented below is a listing of the status of the remediation activities since our most recent report dated March 29, 2019:

<u><i>Status of Recommendations From Prior Internal Control Evaluation Reports</i></u>	<u><i>Status</i></u>	<u><i>Estimated Time to Implement</i></u>
The City of Harvey’s Entity-Level Controls should be formally documented utilizing the COSO Internal Control Integrated Framework as a guideline. Internal control documentation should be designed to minimize and reduce significant deficiencies and/or material weaknesses in the City of Harvey’s internal control environment.	Remediated Via Documentation of Internal Controls	Not applicable
A comprehensive review (including recommendations) of activity level processes and controls should be conducted. The design, implementation and subsequent monitoring of such controls will be critical to improving the City of Harvey’s internal control environment.	Remediated Via Documentation of Internal Controls	Not applicable
Prepare recommendations to ensure that processes for monitoring TIF compliance and bond activities are adequate.	Remediated Via New Policies Written by Management	Not applicable

Prepare policies and procedures for grant compliance. More specifically, these new policies and procedures should be designed for compliance with reforms to administrative requirements under, “OMB Uniform Guidance: Cost Principles, Audit, and Administrative Requirements for Federal Awards” (Super Circular).	Remediated Via Documentation of Internal Controls	Not applicable
Prepare basic standard operating procedures and training for the Water Department staff users and new or temporary employees on how to use the new software. The planning, documentation and implementation of workflow issues regarding billings, resident work orders, water shutoffs and account closings should also be considered.	Remediated Via Documentation of Internal Controls as Well as New Desk Procedures	Not applicable
Conduct a high-level review of IT General Controls, IT Security Risk Assessment and test disaster recovery capabilities.	Remediated Through the City’s Outsourced IT Vendor.	Not applicable

6. IMPROVEMENT OPPORTUNITIES

Although noteworthy progress has been made regarding management’s commitment towards the codification of certain policies, procedures, guidelines, and internal controls we encourage the City of Harvey’s management to embark on a journey of continuous improvement by considering the following improvement opportunities surrounding internal controls:

<u><i>Improvement Opportunities</i></u>	<u><i>Resources Required</i></u>	<u><i>Estimated Time to Implement</i></u>
Consider building capacity for monitoring activities surrounding the compliance with policies and procedures and activity controls as documented in the risk control matrixes that have been created. Such monitoring activities could be achieved in a variety of ways. Such examples could include: <ul style="list-style-type: none"> • A cross-functional team of department heads with the Deputy City Administrator as team leader • Newly created internal auditor position • Contracted internal auditors 	Restructuring of Duties or Allowance for Budgetary Resources for Outsourcing	3/31/2022

<p>The City of Harvey Municipal Code (“Code”) has not been updated since 1995. The Code codifies laws and regulations that include, but not limited to the following areas that are critical to financial reporting such as Finance, Purchasing Agent, Planning Department, Revenue and Taxes.</p>	<p>Legal/Consulting Fees</p>	<p>12/31/2022</p>
<p>The City’s existing BS&A software that is utilized for the general ledger system and utility billing includes the capacity to utilize a purchase order module. The use of purchase orders could serve as an additional tool to track and control spending while reducing the risk of overspending budgetary line items and thus should improve cash flow once the investment is made and properly implemented.</p>	<p>Software Purchase and Internal Project Management and Re-engineering</p>	<p>3/31/2022</p>
<p>Detailed job descriptions should be completed throughout the City’s departments. Each City employee should sign such job descriptions to ensure a mutual understanding of roles, responsibilities and expectations. The implementation of such activity improves that City’s entity-level controls within HR and can help reduce the risk of frivolous claims from terminated employees.</p>	<p>Human Resource Project Management</p>	<p>3/31/2022</p>
<p>The City should conduct an inventory of property and equipment. A reconciliation should be prepared, and the general ledger adjusted based on book to physical data. Consider implementing the BS&A fixed asset module and integrating into the general ledger to eliminate the use of spreadsheets used to account for property and equipment records and depreciation.</p>	<p>Finance Department Project Management and Potential Outside Consulting Resources</p>	<p>4/30/2022 for the Physical Inventory 12/31/2022 For Fixed Assets Module Implementation</p>
<p>Management should consider instituting a formal risk management program to identify risks that could thwart the City's objectives. Decisions should be made to either accept identified risks or reject risks by the preparation of action plans as a response.</p>	<p>City Administrator Project Management and Potential Outside Consulting Resources</p>	<p>4/30/2022</p>

<p>The City should consider membership and participation in the Government Finance Officers Association for at least the Comptroller, Finance Director and City Administrator. The benefits of such membership include the acquisition of timely information through the attendance of seminars, webinars and conferences, high-quality professional publications, and best practice information.</p>	<p>Modest Budgetary Commitment for Membership Dues and Continuing Education</p>	<p>4/30/2022</p>
<p>The City has established the Office of the Inspector General (“OIG”) which is operationally independent within the City government and reports directly to the Mayor. As such, an Inspector General was hired by the City in February 2021. In December 2021, the City contracted with Red Flag Reporting (“Red Flag”), an ethics, compliance and whistleblower hotline vendor. By hiring the Inspector General and contracting with Red Flag, the City began designing its Whistleblower program that will respond to specific allegations of administrative wrongdoing by City employees and those who do business with the City. We encourage the City to formally document and make its Whistleblower program public. In addition to having the Whistleblower program accessible via hotline, we believe that it should also be accessible through email and the City’s website. While not designed to address general complaints or suggestions, such a hotline can be used to investigate:</p> <ul style="list-style-type: none"> • Misuse of City Funds • Improper Activities by City Employees • Quality and Delivery of Government Services • Wasteful and Inefficient Government Practices 	<p>Additional Budgetary Resources to Undergird the Office of Inspector General</p>	<p>3/31/2022</p>

7. CONCLUSION

ICL, LLC believes that the internal control environment within the City of Harvey has improved from “unreliable and informal” to “**standardized**”. It is critical to mention that our assessment of the internal control environment is based on the newly written policies and the “design” of internal control documentation that has been recently prepared. Effective “design” does not, on its own, translate to “operating effectiveness” of internal controls. The City’s immediate challenge will be to provide the tone at the top, staff commitment and directing the necessary resources to build monitoring activities that include, but not limited to periodic testing, evaluation and reporting to management regarding the compliance with such policies and control activities, well as improvement opportunities to mirror best practices.

The results of management’s collective efforts to strengthen the City’s internal control environment, coupled with the potential implementation of monitoring activities could manifest itself by yielding fewer internal control deficiencies through the independent audit process, the earliest of which is not realistic for measurement until the fiscal year ended April 30, 2023.

City of Harvey
Management Letter Review
Status of Recommendations
December 30, 2021

Number	Recommendation Name	Description	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
			4/30/2016	4/30/2017	4/30/2018	4/30/2019	4/30/2020
1	Bond Default	Pay the bond outstanding payment as soon as possible and disclose the event for this default to the EMMA MSRB website.	Partial	X	X	X	X
2	Excessive Late Fees and Penalties	Review their current cash handling and payment processes and reach out to vendors as necessary to work towards reducing the risk of incurring late fees and penalties for failure to make timely payments.	X	X	X	Closed	Closed
3	Cash and Other Reconciliations	Bank accounts be reconciled shortly after the end of each month and that any discrepancies be immediately investigated.	Partial	Closed	N/A	N/A	N/A
4	Missing Invoices and Other Backup Records	Centralize all procedures related to the payment of invoices and the tracking and records retention for significant revenue items and designate the Finance Department as the coordinator of all procedures related to these areas.	Closed	N/A	N/A	N/A	N/A
5	Health Insurance Invoice Review	Review the health insurance invoices and compare each individual receiving coverages to the employees on the City's payroll register at least quarterly to prevent any individuals from being on the plan that are not City employees.	X	Closed	N/A	N/A	N/A
6	Approval of Expenditures	Review its entire approval process of expenditures and create a policy that will allow for adequate approvals, support of the approval, and transparency of the transactions.	X	X	Closed	N/A	N/A
7	Personnel File Organization	Implement procedures to ensure that each employee's personnel file is organized and includes all necessary information.	X	X	X	X	X

City of Harvey
Management Letter Review
Status of Recommendations
December 30, 2021

Number	Recommendation Name	Description	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
			4/30/2016	4/30/2017	4/30/2018	4/30/2019	4/30/2020
8	Grant Administration	Develop specific policies and procedures for tracking and monitoring grant activities and to clearly delineate responsibility for monitoring the City's compliance with applicable requirements.	X	Closed	N/A	N/A	N/A
9	Towing and Parking Subsidiary Report Reconciliation	Review the procedures of the towing and parking tickets from the time of issuance to the cash collection.	X	X	X	X	X
10	Nepotism in the Workplace	Create a nepotism policy.	X	X	X	Closed	N/A
11	Fund Balance Policy	Create and adopt a fund balance policy to be in compliance with GASB Statement No. 54.	X	X	X	X	X
12	Investment Policy	Create and adopt a formal investment policy.	X	X	X	X	Closed
13	Capital Asset Policy	Adopt a capital asset policy, which addresses both financial and stewardship issues.	X	X	X	X	X
14	Expense Reimbursement Policy	Adopt an expense reimbursement policy that clearly defines acceptable expenses and the required documentation to support the expenses.	X	X	X	X	X
15	Policy and Procedures Manual	Draft and implement a policy and procedure manual that includes job descriptions, flowcharts and descriptions of accounting cycles, chart of accounts, descriptions of standard entries and allocations, descriptions of other specific accounting areas of unusual nature.	X	X	X	X	X
16	Capital Asset Appraisal	Have an outside appraisal firm perform a physical inventory and valuation of all the City's capital assets.	X	X	X	X	X
17	Collateralization of Deposits	Consideration should be given to having all bank deposits insured or collateralized.	X	X	X	X	X

City of Harvey
Management Letter Review
Status of Recommendations
December 30, 2021

Number	Recommendation Name	Description	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
			4/30/2016	4/30/2017	4/30/2018	4/30/2019	4/30/2020
18	Police Pension Fund and Firefighters' Pension Fund Funding	Fund the pension funds according to the actuarially determined annual required contribution.	X	X	X	X	X
19	Accounting Software	Review its current accounting software package and investigate purchasing new software.	Closed	N/A	N/A	N/A	N/A
20	TIF and Development Expenditures	Review all invoices from developers and track the progress of the development project.	Closed	N/A	N/A	N/A	N/A
21	Water Payable to the City of Chicago	Review its cash flows in the Water Fund and determine whether the fund is capable of making the monthly payments for the seven years of the settlement.	X	X	Partial	Partial	Partial
22	Commingled Cash	Review the process for allocation of the commingled cash balances and adjust the balances as appropriate.	Closed	N/A	N/A	N/A	N/A
23	Interfund Receivables/Payables	Investigate each interfund receivable/payable outstanding and determine the origin of the transaction and if the repayment is likely to occur.	X	X	X	Closed	N/A
24	Number of Cash Accounts	Review the cash and investment structure and maintain the minimum number of accounts necessary to meet the City's operational needs.	X	Closed	Closed	Closed	Closed
25	Funds with Deficit Fund Balance	Investigate the cause of the deficit and adopt appropriate future funding measures.	X	X	X	X	X
26	Funds Over Budget	Investigate the causes of the funds over budget and adopt appropriate future funding measures.	X	X	X	X	X
27	Timeliness of Audit	Review financial information throughout the year and start preparing for the audit prior to year end.	Closed	N/A	N/A	N/A	N/A

City of Harvey
Management Letter Review
Status of Recommendations
December 30, 2021

Number	Recommendation Name	Description	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
			4/30/2016	4/30/2017	4/30/2018	4/30/2019	4/30/2020
28	Inability to Meet Financial Obligations	Review cash flows and all outstanding obligations in order to create a long term plan for paying down the current obligations on the books and to addressing recurring deficits in financial reporting.	X	X	X	X	X
29	Fund Consolidation	Analyze cash flows and subsidies currently provided by other operating funds and continue to consolidate funds.	X	Closed	N/A	N/A	N/A
30	Compensated Absences	Review the sick and vacation time policies and correct the employees that are not in compliance with the policy.	X	X	Closed	N/A	N/A
31	Dixie Square TIF Expiration	Formally close or extend the TIF fund with the State and the County.	X	X	X	X	Closed
32	City Council Meetings	Determine a way to conduct the City Council meetings and review municipal government best practices to determine whether additional committee meetings should be held to help support the operations of the City Council and facilitate their government business decisions.	X	Partial	Closed	N/A	N/A
33	Controls Over Financial Reporting and Account Review and Reconciliation	Several material audit adjustments were posted due to limited Finance Department resources.	N/A	N/A	N/A	X	X

City of Harvey
 Management Letter Review
 Status of Recommendations
 December 30, 2021

Number	Recommendation Name	Description	Year Ended	Year Ended	Year Ended	Year Ended	Year Ended
			4/30/2016	4/30/2017	4/30/2018	4/30/2019	4/30/2020
34	Controls Over Expenditures	The Receiver controlled the water account and operated under the assumption that City Council approval was not required for purchases and contracts. The City Council did not meet often enough to approve expenditures on a timely basis.	N/A	N/A	N/A	X	X
35	Controls Over Payroll	Lack of documentation to support current pay rates, timetracking not accurate, certain employee files missing.	N/A	N/A	N/A	X	X
36	Noncompliance with the TIF Act	Lending to the General Fund on a long-term or permanent basis to pay operating costs is not an allowable expenditure of TIF funds.	N/A	N/A	N/A	X	X

X: Open recommendation	25	21	18	19	17
Closed or N/A: Implemented recommendation	5	10	13	16	18
Partial: Partially implemented recommendation	2	1	1	1	1
Total Recommendations	32	32	32	36	36

Note: The status of management letter comments are classified based on independent auditor's assessment for the applicable fiscal year under review. The status as communicated by the independent auditor does not reflect the remediation of open items that occurred during calendar 2021.

COSO Internal Control – Integrated Framework Guidelines

In order for an entity's system of internal controls to be effective, the revised COSO framework states that each of the 5 components of internal control and relevant principles should be present (designed appropriately and placed in operation) and functioning (effectively operating), and that the 5 components be operating together in an integrated manner.



The five basic components of the framework are:

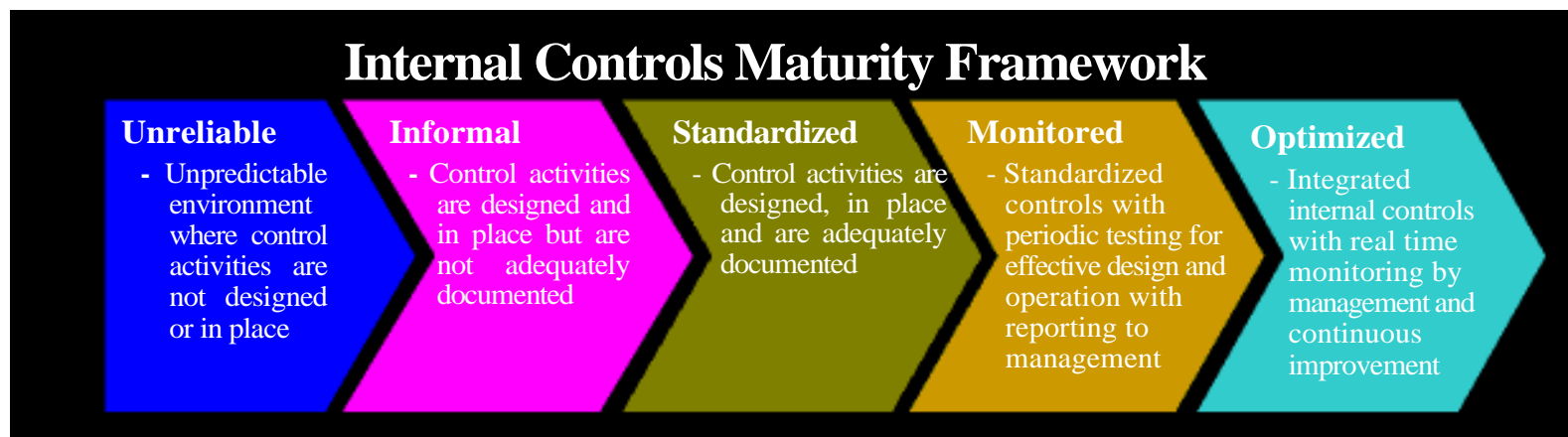
- Control Environment- the set of standards, processes and structures that provide the basis for carrying out internal control across the organization.
 - The organization demonstrates a commitment to integrity and ethical values
 - The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.
 - Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
 - The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
 - The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

- Risk Assessment- a process for identifying and analyzing risks to achieving the entity's objectives, forming a basis for determining how risks should be managed.
 - The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks related to objectives.
 - The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.
 - The organization considers the potential for fraud in assessing the risks to the achievement of objectives.
 - The organization identifies and assess changes that could significantly impact the system of internal control.

- Control Activities- actions established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out.
 - The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
 - The organization selects and develops general control activities over technology to support the achievement of objectives.
 - The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.

- Information and Communication
 - The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.
 - The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.
 - The organization communicates with external parties regarding matters affecting the functioning of internal control.

- Monitoring Activities
 - The organization selects, develops and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.
 - The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.



Level 1 – Unreliable

- Unpredictable environment where control activities are not designed or in place

Level 2 – Informal

- Disclosure Activities and Controls are designed and in place but are not adequately documented
- Controls mostly dependent on people
- No formal training or communication of control activities

Level 3 – Standardized

- Control activities are designed and in place
- Control activities have been documented and communicated to employees
- Deviations from control activities will likely not be detected

Level 4 – Monitored

- Standardized controls with periodic testing for effective design and operation with reporting to management
- Automation and tools may be used in a limited way to support control activities

Level 5 – Optimized

- An integrated internal control framework with real time monitoring by management with continuous improvement
- Automation and tools are used to support controls activities and allow for rapid changes to the control activities as needed

City of Harvey
 Inventory of Activity Level Processes and/or Policies and Procedures
 As of December 30, 2021

Activity Level Processes	Sub-Processes	Commentary (Status)
1 - Financial Reporting	Manual Journal Entries	Documented
	Account Reconciliations	Documented
	General Ledger Maintenance	Documented
	Non-Routine Transactions	Documented
	General Ledger Month End Closing	Documented
	General Ledger Year End Closing	Documented
2 - Payroll & HR	New Hires Process	Documented
	Benefit Changes and Open Enrollment	Documented
	Payroll Changes and Adjustments	Documented
	Employee Timekeeping and Attendance	Documented
	Overtime Approval	Documented
	Compensated Absences Tracking	Documented
	Employee Termination Process	Documented
	Other Post Employment Benefits Monitoring	Documented
	Illinois Municipal Retirement Fund (IMRF) Compliance	Documented
Defined Benefit Pension and Trust Fund Monitoring	Documented	
3 - Fixed Assets	Capital Asset Acquisition	Documented
	Asset Master Data Maintenance	Documented
	Asset Inventory and Reconciliation	Documented
	Depreciation and Amortization	Documented
	Capital Projects Monitoring	Documented
	TIF Monitoring and Compliance	Documented
4 - Accounts Payable, Purchasing and Procurement, Expenditures	Purchasing and Procurement Process	Documented
	Budget Request Guidelines	Documented
	Vendor Management	Documented
	Purchase Requisition Process	Documented
	Invoice Approval and Check Disbursements	Documented
	Employee Travel and Expense Reimbursement	Documented
	Voiding Checks	Documented
	Credit Memo's	Documented
5 - Prepays and Inventories	Accounting for Prepays, Deposits, Other Assets	Documented

City of Harvey
 Inventory of Activity Level Processes and/or Policies and Procedures
 As of December 30, 2021

Activity Level Processes	Sub-Processes	Commentary (Status)
6 - Revenue Recognition	Property Tax Revenue Recognition	Documented
	Intergovernmental Revenue Recognition	Documented
	Water & Sewer Fund Billing and Collecting	Documented
	License and Permit Revenue Recognition	Documented
	Parking Fund Revenue Recognition	Documented
	Proprietary Fund Billing and Collecting	Documented
	Fines and Forfeitures Billings and Collection	Documented
	Grant Revenue Recognition and Compliance	Documented
7 - Accounts Receivable	Billing and Cash Applications to Residents' Accounts	Documented
	Establishing Reserves for Uncollectable Accounts	Documented
	Collections Process for Past Due Receivables	Documented
8 - Treasury	General Cash Management	Documented
	Cashiers Office: Application of Cash Receipts	Documented
	Petty Cash Funding and Reimbursement	Documented
	Investment and pooled fund management	Documented
	ACH Transactions and Wire Transfers	Documented
	Interfund Transfers	Documented
	Risk Management Activities	Documented
Bond Payment Activity and Compliance	Documented	

**CITY OF HARVEY
RISK CONTROL MATRIX**

Process - Capital and Fixed Assets

EXHIBIT 5

Sub-Process	Control Objective	Assertion(s)	Related Account Balances	Control Activity Reference Number	Control Activity	Control Classification	Control Type	Control Approach	Control Frequency	Control Technique	Process Owner
Pervasive	Capital, fixed, and controlled assets represent assets to which the City of Harvey has legal rights.	Completeness; Occurrence; Rights and Obligation, Valuation/ Allocation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA1	The Finance and Accounting Department has written capital and fixed asset policies and procedures that have been approved by the City of Harvey.	Complimentary	Manual	Preventive	Annually	Segregation of Incompatible Duties (SOD)	Accountant and Finance Director
Pervasive	Access to sensitive fixed assets related transactions is limited to appropriate individuals.	Completeness; Existence and Occurrence; Rights and Obligation, Valuation/ Allocation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA2	Access to the Fixed Asset Ledger is restricted to the Staff Accountant, and Finance Director.	Key	Manual	Preventive	Routine	Manual Authorization	Accountant and Finance Director
Acquisition	Employees submit purchase requests for capital/fixed/controlled assets addition in accordance with City of Harvey Accounting Policies Manual and Purchasing Procedures Manual Chapter 2 Section D	Completeness; Existence and Occurrence; Rights and Obligation, Valuation/ Allocation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA3	All acquisition requests require Department approval based upon dollar limit thresholds and City of Harvey Council approved annual budget prior to purchase.	Key	Manual	Detective	As Needed	Segregation of Incompatible Duties (SOD)	Supervisors/ Directors
Acquisition	All capital and fixed assets additions are recorded at historical cost, purchase date, and supported by paid invoices. Invoices coded by the A/P Specialists for capitalization are initially coded in the Fixed Asset Capital Projects In Progress (CIP) Account until the Staff Accountant inputs the new asset as by defined COH Capital and Fixed Asset Policies and Procedures.	Completeness; Existence and Occurrence; Rights and Obligation, Valuation/ Allocation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA4	Assets will be added at historical cost value at the time of acquisition, including ancillary costs (value of trade-ins, shipping costs, installation costs, etc.) net of any vendor discounts.	Key	Manual	Preventive	Routine	Manual Authorization	Accountant and Finance Director
Acquisition	All entries to fixed asset master data are completely and accurately recorded and processed as defined by COH Capital and Fixed Asset Policies and	Completeness; Existence and Occurrence; Rights and Obligation, Valuation/	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and	FA5	All capital and fixed assets >\$5K are recorded at historical cost, purchase date, and classified in the general ledger.	Complimentary	Manual	Detective	Routine	Segregation of Incompatible Duties (SOD)	Accountant and Finance Director

**CITY OF HARVEY
RISK CONTROL MATRIX**

Process - Capital and Fixed Assets

EXHIBIT 5

Sub-Process	Control Objective	Assertion(s)	Related Account Balances	Control Activity Reference Number	Control Activity	Control Classification	Control Type	Control Approach	Control Frequency	Control Technique	Process Owner
Acquisition	Capital assets that are less than \$5,000 should not be depreciated but disclosed separately.	Completeness, Existence, Rights and Obligation	Controlled Asset Ledgers; Expenses	FA6	Capital and fixed asset with historical cost <\$5,000 are expensed but recorded as a controlled asset for tracking purposes in the Fixed Asset Ledger.	Key	Manual	Preventive	As Needed	Security	Accountant and Finance Director
Leases	Written approval is required for all capital asset projects and acquisitions. Asset acquisitions are authorized in accordance with City of Harvey criteria.	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Amortization Expenses; Maintenance And Repair; Accumulated Amortization	FA7	Capital expenditure and leasing proposals are prepared for review and approval by responsible officers. Review and approval of all capital expenditure requests takes place by a senior independent person/s: Fixed asset requests for purchases are approved in accordance with the Limits of Authority.	Complimentary	Manual	Preventive	As Needed	Manual Authorization	City Administrator; Finance Director; Public Works Superintendent; Fleet Foreman; City Engineer
Leases	Asset acquisition and related financing agreements are reviewed by management (including consideration of the capital expenditure budget), before	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Amortization Expenses; Maintenance And Repair; Accumulated Amortization	FA8	Leases are reviewed and approved according to delegation of authority prior to execution. The review includes authorization and proper lease classification as operating or capital.	Key	Manual	Preventive	As Needed	Manual Authorization	City Administrator; City Council; Mayor
Leases	Leases will be recognized and measured using facts and circumstances that exist at the beginning of the period.	Rights and Obligation; Valuation/ Allocation; Presentation and Disclosure;	Capital, Fixed, and Controlled Asset Ledgers; Amortization Expenses; Maintenance And Repair; Accumulated Amortization	FA9	Finance and Accounting Department recognize lease liability; determine type of lease (operating or capital); and maintain all agreements.	Compensating	Manual	Preventive	As Needed	Manual Authorization	Accountant and Finance Director
Leases	All capital assets, including lease assets, shall be recorded in the general ledger.	Rights and Obligation; Valuation/ Allocation; Presentation and Disclosure;	Capital, Fixed, and Controlled Asset Ledgers; Amortization Expenses; Maintenance And Repair; Accumulated Amortization	FA10	All capital assets, including lease assets, shall be recorded in the general ledger.	Key	Manual	Preventive	As Needed	Manual Authorization	Accountant and Finance Director
Leases	The City of Harvey will recognize lease liability as an intangible right-to-use lease asset and/or recognize lease receivables and a deferred inflow of	Rights and Obligation; Valuation/ Allocation; Presentation and Disclosure;	Capital, Fixed, and Controlled Asset Ledgers; Amortization Expenses; Maintenance And Repair; Accumulated Amortization	FA11	The Finance and Accounting Department shall amortize right to use leases according to lease term agreements.	Compensating	Manual	Preventive	As Needed	Manual Authorization	Accountant and Finance Director
Transfer, Retirements, Disposals	Operating Units/ Departments initiate Request to Transfer/Disposal Asset Form. authorized by a Department Manager prior to processing asset transfer.	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA12	The City Administrator review, approve, and return Request to Transfer/Disposal Asset Form to Operating Unit Director or Department Supervisor. Evidence of approval is documented and maintained via signature and date on the form.	Key	Manual	Preventive	As Needed	Manual Authorization	City Administrator

**CITY OF HARVEY
RISK CONTROL MATRIX**

Process - Capital and Fixed Assets

EXHIBIT 5

Sub-Process	Control Objective	Assertion(s)	Related Account Balances	Control Activity Reference Number	Control Activity	Control Classification	Control Type	Control Approach	Control Frequency	Control Technique	Process Owner
Transfer, Retirements, Disposals	To mitigate the risk of theft and improper use of City of Harvey capital and fixed assets.	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA13	Two city employees from other departments (particularly Finance and Administrator) witness and monitor the actual transfer of property, and evidence of witness signature on "Request to Transfer/Disposal Asset Form".	Compensating	Manual	Detective	As Needed	Segregation of Incompatible Duties (SOD)	Department Heads
Transfer, Retirements, Disposals	Finance and Accounting Department maintain "Request to Transfer/Disposal Asset Form" in a folder as source documentation for updating Master Asset List.	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA14	The Finance and Accounting Department obtains "Request to Transfer/Disposal Asset Form", ensure proper authorization, and update records for asset transfer.	Key	Manual	Preventive	As Needed	Reconciliation	Assistant Finance Director
Transfer, Retirements, Disposals	Operating Units/ Departments initiate Request to Transfer/Disposal Asset Form. authorized by a Department Manager prior to processing asset retirement or disposal	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA15	The City Administrator review, approve, and return Request to Transfer/Disposal Asset Form to Operating Unit Director or Department Supervisor. Evidence of approval is documented and maintained via signature and date on the form.	Key	Manual	Detective	As Needed	Manual Authorization	City Administrator
Transfer, Retirements, Disposals	Finance and Accounting determine reason for disposition of asset - obsolescence, sale, trade, loss, or theft.	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA16	Finance and Accounting Department evaluates surplus property for possible use in another area and will inform other departments of the availability of the property or determine that there is no use for the property.	Complimentary	Manual	Detective	As Needed	Data Analysis	Assistant Finance Director
Transfer, Retirements, Disposals	Finance and Accounting determine reason for disposition of asset - obsolescence, sale, trade, loss, or theft.	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA17	Each department shall submit a request to the City Administrator when the department seeks to have any city property under its jurisdiction declare assets retired before the end of their useful life sold by competitive sale, negotiated sale, or auction.	Complimentary	Manual	Detective	As Needed	Data Analysis	City Administrator, Department Heads

**CITY OF HARVEY
RISK CONTROL MATRIX**

Process - Capital and Fixed Assets

EXHIBIT 5

Sub-Process	Control Objective	Assertion(s)	Related Account Balances	Control Activity Reference Number	Control Activity	Control Classification	Control Type	Control Approach	Control Frequency	Control Technique	Process Owner
Transfer, Retirements, Disposals	Finance and Accounting Department maintain "Request to Transfer/Disposal Asset Form" in a folder as source documentation for updating Master Asset List.	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA18	The Finance and Accounting Department obtains "Request to Transfer/Disposal Asset Form", ensure proper authorization, and update records for asset retirement or disposition.	Key	Manual	Preventive	As Needed	Reconciliation	
Asset Management	Fixed Asset Ledger require the following fields be completed when a new asset master record is defined: <ul style="list-style-type: none"> • Classification • Item • Description • Department/Location • Historical Cost • Purchase Date • Asset Identification 	Completeness, Existence, Rights and Obligation, Presentation and Disclosure	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA19	Detailed fixed asset records are maintained and updated directly from source purchase documentation (e.g. supplier invoice, contract etc). Review by management of source documentation to loaded data in order to verify the accuracy of the data captured.	Key	Manual	Preventive	As Needed	Manual Authorization	Accountant and Finance Director
Asset Management	All property will be assigned a unique city identification number by the Inventory Specialist.	Completeness, Existence and Occurrence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA20	The Administrative Assistant will issue City of Harvey property tags to each Department upon receipt of movable assets (capital and controlled) with the exception of land, land improvements, buildings, and vehicles.	Key	Manual	Preventive	As Needed	Manual Authorization	Inventory Specialist and Administrative Assistant
Asset Management	Finance and Accounting send Business Unit/Department updated Asset Inventory List.	Completeness, Existence and Occurrence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA21	Directors/Supervisors review updated asset inventory list and verify the accuracy of the data captured.	Compensating	Manual	Detective	As Needed	Data Analysis	Accountant, Directors/ Supervisors
Asset Management	The City of Harvey conducts a periodic physical inventory of capital and fixed assets to identify the assets that need to be missing and/or cleared/written-off the books	Completeness, Existence and Occurrence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA22	Business Units/Departments along with Finance and Accounting conduct periodic independent inspection of fixed assets. The results are agreed to fixed asset records and differences timeously investigated, explained and resolved.	Complimentary	Manual	Detective	Semi-Annually	Segregation of Incompatible Duties (SOD)	Accountant, Directors/ Supervisors

**CITY OF HARVEY
RISK CONTROL MATRIX**

Process - Capital and Fixed Assets

EXHIBIT 5

Sub-Process	Control Objective	Assertion(s)	Related Account Balances	Control Activity Reference Number	Control Activity	Control Classification	Control Type	Control Approach	Control Frequency	Control Technique	Process Owner
Asset Management	The City of Harvey conducts an annual physical inventory of capital and fixed assets to identify assets that need to be missing and/or cleared/written-off the books	Completeness, Existence and Occurrence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA23	Business Units/Departments along with Finance and Accounting conduct annual physical inventory at the end of each fiscal year. The results are agreed to fixed asset records and differences timeously investigated, explained and resolved.	Key	Manual	Detective	Annually	Reconciliation	Accountant, Directors/ Supervisors
Asset Management	Directors report stolen/missing equipment to the Mayor and City Administator as soon as discovered.	Completeness, Existence and Occurrence, Rights and Obligation, Presentation and Disclosures	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA24	Department Directors send copies of the following support documents to the Finance Department for final net book valuation and write-off if an asset has not been found after 90 days: <ul style="list-style-type: none"> • Public Works - Incident Reports • Fire and Police - "To/From" Reports • Mayor's Office 	Complimentary	Manual	Detective	Annually or As Needed	Reconciliation	Directors/ Supervisors and Finance Director
Capitalization and Depreciation	Capital Assets are to be capitalized and depreciated only if asset has an estimated useful life greater than 3 years following the acquisition date and historical cost value equal to or greater than \$5,000, including ancillary costs with the exception of land,	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA25	Finance and Accounting compute and record depreciation expenses.	Key	Manual	Preventive	As Needed	Manual Authorization	Accountant
Capitalization and Depreciation	A review of the depreciation reporting is conducted by the Finance Director prior to closing to ensure depreciation calculations are reasonable based on prior period monthly for book assets. The review includes a verification that the depreciation amount per the sub ledger agrees to the general ledger. Evidence is documented and maintained via signature and date on the Depreciation Expense Report.	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA26	Depreciation exception items (in terms of expectations established by management) are consistently identified, monitored, and corrected.	Key	Application	Detective	As Needed	Manual Authorization	Finance Director

**CITY OF HARVEY
RISK CONTROL MATRIX**

Process - Capital and Fixed Assets

EXHIBIT 5

Sub-Process	Control Objective	Assertion(s)	Related Account Balances	Control Activity Reference Number	Control Activity	Control Classification	Control Type	Control Approach	Control Frequency	Control Technique	Process Owner
Accounting and Financial Reporting	Finance and Accounting Department monitors fixed asset activity through the monthly review of the Additions/Disposals Report. Finance and Accounting review report to ensure additions are valid, accurately recorded, and capital spending is	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA27	Business Units/Departments submit Quarterly fixed asset reports to the Finance and Accounting Department.	Complimentary	Manual	Preventive	Quarterly	Data Analysis	Public Works Superintendent/ Fleet Foreman/ Public Works Assistant/ Water Department Office Mgr, Chief of Staff
Accounting and Financial Reporting	Capital expenditure overruns are anticipated and properly approved according to the delegation of authority.	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA28	Capital budgets are compared to actual expenditures on a monthly basis and significant differences analysed, investigated and reported. Most capital expenditure is anticipated in advance, comparing budget to actual amounts can help detect misuse of funds.	Complimentary	Application	Detective	Monthly	Data Analysis	Directors and Department Heads
Accounting and Financial Reporting	Finance and Accounting Department reconciles fixed asset activity and records.	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA29	The Accountant maintains, prepare, update, and monitor capital and fixed asset maintenance schedules and reconcile to the asset maintenance history register.	Key	Manual	Detective	Monthly	Reconciliation	Accountant
Accounting and Financial Reporting	Expenditures that do not meet the minimum dollar requirement must be expensed. The cost of maintenance contracts on equipment and software shall be expensed when paid	Completeness, Existence, Rights and Obligation	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA30	Finance and Accounting Department review all capital and fixed asset records, and repair and maintenance accounts.	Complimentary	Manual	Preventive	Monthly	Data Analysis	Accountant
Accounting and Financial Reporting	Evidence of review is documented via signature and date. Any resulting journal entry (if any) is attached to the support.	Completeness/ Rights & Obligations/ Valuation & Allocation/ Presentation & Disclosure	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA31	The Finance Director review and approve fixed asset records and month-end journal entries by the 15th of the following month.	Key	Manual	Detective	Monthly	Manual Authorization	Finance Director

**CITY OF HARVEY
RISK CONTROL MATRIX**

Process - Capital and Fixed Assets

EXHIBIT 5

Sub-Process	Control Objective	Assertion(s)	Related Account Balances	Control Activity Reference Number	Control Activity	Control Classification	Control Type	Control Approach	Control Frequency	Control Technique	Process Owner
Accounting and Financial Reporting	All depreciation charges are recorded in the appropriate period. (completeness and proper period)	Completeness/ Rights & Obligations/ Valuation & Allocation/ Presentation & Disclosure	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA32	Finance Director prepares Capital Fixed Asset Rollforward and Depreciation Lapsing Schedule.	Key	Manual	Preventive	Monthly	Segregation of Incompatible Duties (SOD)	Finance Director
Accounting and Financial Reporting	Finance and Accounting prepare annual statements.	Completeness/ Rights & Obligations/ Valuation & Allocation/ Presentation & Disclosure	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA33	Finance Director prepares Annual Comprehensive Finance Report ("ACFR") note disclosure of changes in capital and fixed assets by fund and summary.	Key	Manual	Preventive	Annually or As Needed	Manual Authorization	Finance Director
Accounting and Financial Reporting	All financial reporting related to the fixed asset cycle is presented and disclosed according to appropriate rules, regulations, and City of Harvey standards.	Completeness/ Rights & Obligations/ Valuation & Allocation/ Presentation & Disclosure	Capital, Fixed, and Controlled Asset Ledgers; Depreciation & Amortization Expenses; Maintenance And Repair; Accumulated Depreciation and Amortization; Construction in Progress	FA34	City Administrator reviews Master Asset List, compare to annual statements summary.	Complimentary	Manual	Detective	Annually or As Needed	Segregation of Incompatible Duties (SOD)	City Administrator

Business Cycle	Business process cycle
Business Process	The key business processes of the cycle
Sub Process	The key sub processes of the business process
Financial Statement Account	The key financial statement account(s)
Financial Statement Assertion	The corresponding financial statement assertion. See the list below.
<i>Existence / Occurrence</i>	Whether assets, liabilities, and ownership interests exist at a specific date. These assertions pertain to both physical items-such as inventory, plant and equipment, and cash-and accounts without physical substance, such as accounts receivable and accounts payable. Whether recorded transactions, such as purchases and sales, represent economic events that actually occurred during a certain period.
<i>Completeness</i>	Whether all transactions and other events and circumstances that occurred during a specific period and should have been recognized in that period have in fact been recorded. For example, all purchases of goods and services should be recorded and included in the financial statements. The completeness assertion also states that all recognizable financial statement items are in fact included in the financial statements. For example, management asserts that accounts payable reported on the balance sheet include all such obligations of the entity. Relate to the recording of transactions in the proper accounting period. For example, a check to a vendor that is mailed on December 31 should be recorded in December and not, through either oversight or intent, in January.
<i>Rights & Obligations</i>	Whether assets are the rights, and liabilities are the obligations, of the entity at a given date. For example, the reporting of capitalized leases (right of use assets) in the balance sheet is an assertion that the amount capitalized is the unamortized cost of rights to leased property and that the amount of the lease liability is the unamortized obligation of the entity.
<i>Valuation / Allocation</i>	Whether financial statement items are recorded at appropriate amounts in conformity with generally accepted accounting principles (or another comprehensive basis of accounting). For example, the financial statements reflect an assertion that depreciation expense for the year and the carrying value of property, plant, and equipment are based on the systematic amortization of the carrying value of the assets, and that trade accounts receivable are stated at their net realizable value.
<i>Presentation / Disclosure</i>	Relate to the proper classification, description, and disclosure of items in the financial statements; for example, that liabilities classified as long-term will not mature within one year, and that the accounting policy note to the financial statements includes the disclosures required by generally accepted accounting principles.
Information Processing Objective	The control processing objective relevant to financial statement assertion and control objective. See the list below.
<i>Completeness</i>	All transactions that occur are entered and accepted for processing once and only once. Duplicate items are identified and rejected by the system and all exceptions are addressed and resolved. Relevant Financial Statement Assertions: Completeness, Existence / Occurrence
<i>Accuracy</i>	Transactions are recorded at the correct amount in the appropriate account and proper period. Relevant Financial Statement Assertions: Valuation / Allocation
<i>Validity</i>	Only authorized transactions that actually occurred and that relates to the organization are recorded. Relevant Financial Statement Assertions: Existence / Occurrence, Rights & Obligations
<i>Restricted Access (Authorization)</i>	Data is protected against unauthorized amendments and access to confidential data and physical assets is appropriately restricted to authorized personnel. Relevant Financial Statement Assertions: All
Control Objective Reference	A reference to identify the control objective.
Control Objective	The objectives of management that are used as the framework for developing and implementing controls (control procedures) The objectives in the RCM focus on financial reporting and do not contemplate operational and compliance objectives.
Risk Statement	The possibility that an event will occur and adversely effect the achievements of objectives. The risk statements are general and are not event specific risk statements.

Control Classification	The proximity of the control activity in relation to the business process, control objective, and risk mitigation for which the control has been designed and implemented by management
<i>Key</i>	The control operating at a person that is closest to mitigating the risk and achieving the control objective. Management has identified these control the most relevant and key to the objective and risk.
<i>Compensating</i>	The control is typically not operating in direct relation to the process, objective, and risk but can mitigate the overall risk of the objective if the key controls fail to operate as intended.
<i>Complementary</i>	The control can either be redundant to other key controls or is operating in a proximity that is not close to the process, objective, or risk but assists management in mitigating the risk. Several of these controls operating together can and could constitute an overall key control, if all are operating as intended.
Control Reference	A reference to identify the control activity.
Control Activity	Description of an activity which helps to provide reasonable assurance against the defined risks and objectives.
Control Type	A control activity or control process can be automated application control, a control that is inherently built into a system, or a manual or procedural process performed and documented by an individual.
<i>Application</i>	Generally application controls are controls that have been automated in a system through configuration or security. Some application are automatically working all the time and other application, although automated, need to be initiated by a user or another process or system event. Application controls are typically evidenced in the system. Configurable = A configurable control is one that is built and implemented within the system (BS&A) by the project team, through the maintenance of a customizable element or program. Configurable controls usually prevent against the occurrence of an event that could impact upon the integrity, efficiency and/or effectiveness of a business process. Security = Access control is the primary method for ensuring data integrity and confidentiality, managing risk associated with unauthorized user actions or preventing circumvention of controls where segregation of activities is desired within the system.
<i>Inherent</i>	An inherent control is one that comes as standard within a system (e.g., GP) and cannot be de-activated. Inherent controls protect the overall integrity of the system and guard against the occurrence of events that could cause an organization major problems (e.g. the unique numbering of documents and the creation of self-balancing accounting entries.)
<i>Manual</i>	Where business process control requirements are not system dependent then controls usually take the form of reviews of data, maintenance of records or authorization. Manual or procedural based controls are performed by individuals and are typically evidenced through the individual maintaining the appropriate documentation to represent that they have performed that control.
Control Approach	Control activities and control processes are either detective or preventive in nature.
<i>Detective</i>	A control designed to discover an unintended event or result (contrast with Preventive Control). The control works to detect an operational, reporting or compliance error from occurring AFTER processing or activities have taken place.
<i>Preventive</i>	A control designed to avoid an unintended event or result (contrast with Detective Control). The control works to prevent an operational, reporting or compliance error from occurring BEFORE or DURING processing or the execution of certain activities.
Control Frequency	Frequency that the control is performed (Annual, Quarterly, Monthly, Weekly, Daily, Routine, As Necessary)
<i>Annual</i>	Control is performed one time a year or on an annual basis.
<i>Quarterly</i>	Control is performed on a quarterly basis.
<i>Monthly</i>	Control is performed on a monthly basis.
<i>Weekly</i>	Control is performed on a weekly basis.
<i>Daily</i>	Control is performed on a daily basis.
<i>Routine</i>	Control is performed on every transaction. Typically only automated controls.
<i>As Needed</i>	Control is performed as needed. Typically a non-routine or unplanned event or a process triggers this control.
Control Technique	The process or technique that is utilized to implement and execute the control.
<i>Business Performance Review</i>	The process of reviewing and benchmarking key data and business elements, events, and activities. Typically performed at an executive management level or at the overall business process or business process cycle (e.g. budget vs. actual review).
<i>Reconciliation</i>	The manual or automated process of reconciling information or addressing errors from edit and validation checks.
<i>Data Analysis</i>	The process of reviewing system generated reports and information of events, transactions or activities that have occurred (e.g. review the pricing master file to determine that all prices are still relevant).
<i>Manual Authorization</i>	The process of manually approving or authorizing events and transactions. The control typically work in conjunction with some type of delegation of authority.

<i>Security</i>	The automated process of approving or authorizing events and transactions. The control typically work in conjunction with some type of delegation of authority.
<i>Edit & Validation Checks</i>	Most system based, these are the checks and validations of information that is processed, entered, or reported. Errors can be identified real-time or on reports for later review and analysis.
<i>Configuration</i>	Automated settings in a system that enforce how information will be entered, stored, processed, and reported.
<i>Segregation of Incompatible Duties (SOD)</i>	The manual or automated process of limiting individuals from performing multiple functions that management has intended to keep separate from one individual have the ability to perform themselves.
Control Evidence	The evidential matter that is represent by management that the control was performed.
Control Test Procedures	The high-level test procedures used to test the design or operating effectiveness of the control.
Process Owner	The identification of members of management or those charged with governance responsible for the execution of a control activity.

City of Harvey Capital and Fixed Assets – Acquisition

