Board of Finance

Monday, February 26, 2024, 5:00 PM, Bushor Conference Room 1st Floor, City Hall OR REMOTELY via ZOOM

5:00 pm, Bushor Conference Room, 1st Floor City Hall OR Remotely via ZOOM:
Please click the link below to join the webinar:
https://zoom.us/j/99756965793
Or Telephone: +1 646 931 3860 US
Webinar ID: 997 5696 5793

****CCTV link: https://www.youtube.com/playlist?list=PLljLFn4BZd2PwCge7lNoKug676jIf_iUA ****

1. Agenda

Subject	**1.1. Motion to adopt agenda**
Meeting	February 26, 2024 - Special Board of Finance Meeting - Monday, February 26, 2024, 5:00 PM, Bushor Conference Room 1st Floor, City Hall OR REMOTELY via ZOOM
Category	1. Agenda
Department	
Type	Action Procedural
Recommended Action	Motion to adopt agenda

2. Public Forum

Subject	**2.1. Verbal Comments**
Meeting	February 26, 2024 - Special Board of Finance Meeting - Monday, February 26, 2024, 5:00 PM, Bushor Conference Room 1st Floor, City Hall OR REMOTELY via ZOOM
Category	2. Public Forum
Department	Council and Board

Type	Action Procedural

3. Deliberative Agenda

Subject	**3.1. Acceptance and Approval of the FY 2023 Audit - CAO and Mayor**
Meeting	February 26, 2024 - Special Board of Finance Meeting - Monday, February 26, 2024, 5:00 PM, Bushor Conference Room 1st Floor, City Hall OR REMOTELY via ZOOM
Category	3. Deliberative Agenda
Department	Clerk/Treasurer's Office
Type	Action Resolution
Recommended Action	to recommend that the City Council approve the attached resolution

4. Adjournment

Subject	**4.1. Motion to adjourn**
Meeting	February 26, 2024 - Special Board of Finance Meeting - Monday, February 26, 2024, 5:00 PM, Bushor Conference Room 1st Floor, City Hall OR REMOTELY via ZOOM
Category	4. Adjournment
Department	Council and Board
Type	Action Procedural
Recommended Action	Motion to adjourn

Resolution Relating to

ACCEPTANCE AND APPROVAL OF THE FY 2023 AUDIT

RESOLUTION________

Sponsor(s): Bd. of Finance
Introduced: ____________________
Referred to: ____________________
____
Action: ________________________
Date: __________________________
Signed by Mayor: ________________

CITY OF BURLINGTON

In the year Two Thousand Twenty-Four….……………………………………………………………

Resolved by the City Council of the City of Burlington, as follows:

That WHEREAS, the City's auditors, Marcum LLP has completed the City audit for the fiscal year July 1, 2022 to June 30, 2023; and

WHEREAS, the auditor has prepared a management letter to accompany that audit; and

WHEREAS, during the audit the auditor did not identify any deficiencies in internal controls that were considered to be material weaknesses; and

WHEREAS, the City has responded to the items in the management letter; and

WHEREAS, on Tuesday, February 20th the Board of Finance was presented with the Audit findings; and

WHEREAS, on February 26th, the Board of Finance has accepted the audit and recommended that the City Council approve and accept the audit, including the management letter;

NOW, THEREFORE, BE IT RESOLVED that the City Council approves and accepts the City's Fiscal Year 2023 audit, including the management letter.

KS/Resolutions 2024/*Acceptance and Approval of the FY 2023 Audit*
February 22, 2024

City of Burlington, Vermont
Presentation of Audit Results

February 20, 2024

Presented by:
Alina Korsak, CPA
Partner

MARCUM
ACCOUNTANTS ▲ ADVISORS

marcumllp.com

Tonight’s Objective

- Understand Why We Do the Annual Audit
- Review Management Letter
- Discuss Summary of General Fund Results

Reasons Behind the Annual Audit

- Burlingtonians put their trust in elected public officials and municipal employees to be responsible custodians of their tax dollars. The City validates this trust by employing strong financial controls and ensuring that the books of accounts **accurately reflect the financial activities of the fiscal year**.

- Vermont law requires that towns and cities (as well as school districts) **account for the monies entrusted to them and that these records be audited** (see 24 V.S.A. §§ 1681-1686 and 16 V.S.A. § 323).

- Financial accounting provides information for those outside the City management team (elected representatives, citizens and taxpayers), usually after the end of the financial year, and so is essential for **public accountability**.

- Auditing is the mechanism which provides assurance to the public about the veracity of the accounts, and hence is fundamental to **maintain trust**.

Management Letter

- Prior Year Comments:
  - **Improve Controls Over Journal Entries and Adhere to a Formal Closing Schedule**
  - **City Response:** Has begun issuing key monthly reports and engaged a consultant who is designated to monitor and perform analytical review of the general ledger on a regular basis as recommended.
  - **Review City Ordinance Language in Comparison to Collective Bargaining Agreements (CBAs) in Relation to Pension**
  - **City Response:** City will update ordinance language as recommended. The City notes retroactive adjustments to pension benefits are a rare occurrence.
- Current Year Comments:
  - **Consider Improvements to Information Technology Policies**
  - **City Response:** City will implement recommendations including a user access control process; improving policies regarding provisioning and terminations; and bolstering its cybersecurity resources.

General Fund Budget vs. Actual Results

Category	FY22 Actual	FY23 Final Budget	FY23 Actual	FY23 Variance
Revenues	$79.2M	$86.8M	$80.7M	($6.1M)
Expenditures	$78.2M	$86.4M	$81.3M	$5.1M
Net	$1.0M	$0.4M	($0.6M)	**($1.0M)**

General Fund Balance Classifications as of June 30, 2023 and 2022 – Part 1

Fund Balance Classification	Amount (June 30, 2023)	Amount (June 30, 2022)	Change between FY22 and FY23
Nonspendable	$0.7M	$1.4M	($0.7M)
Restricted	$1.8M	$2.3M	($0.6M)
Committed	$0.7M	$0.8M	($0.1M)
Assigned	$7.8M	$8.9M	($1.1M)
Subtotal	**$11.0M**	**$13.5M**	**($2.5M)**

FY23 Unassigned Fund Balance

Fund Balance Classification	Amount (June 30, 2023)	Amount (June 30, 2022)	Changes between FY22 and FY23
Subtotal of Non-Spendable, Restricted, Committed and Assigned Fund Balance	$11.0M	$13.5M	($2.5M)

FY22 Unassigned Fund Balance was $8.6M

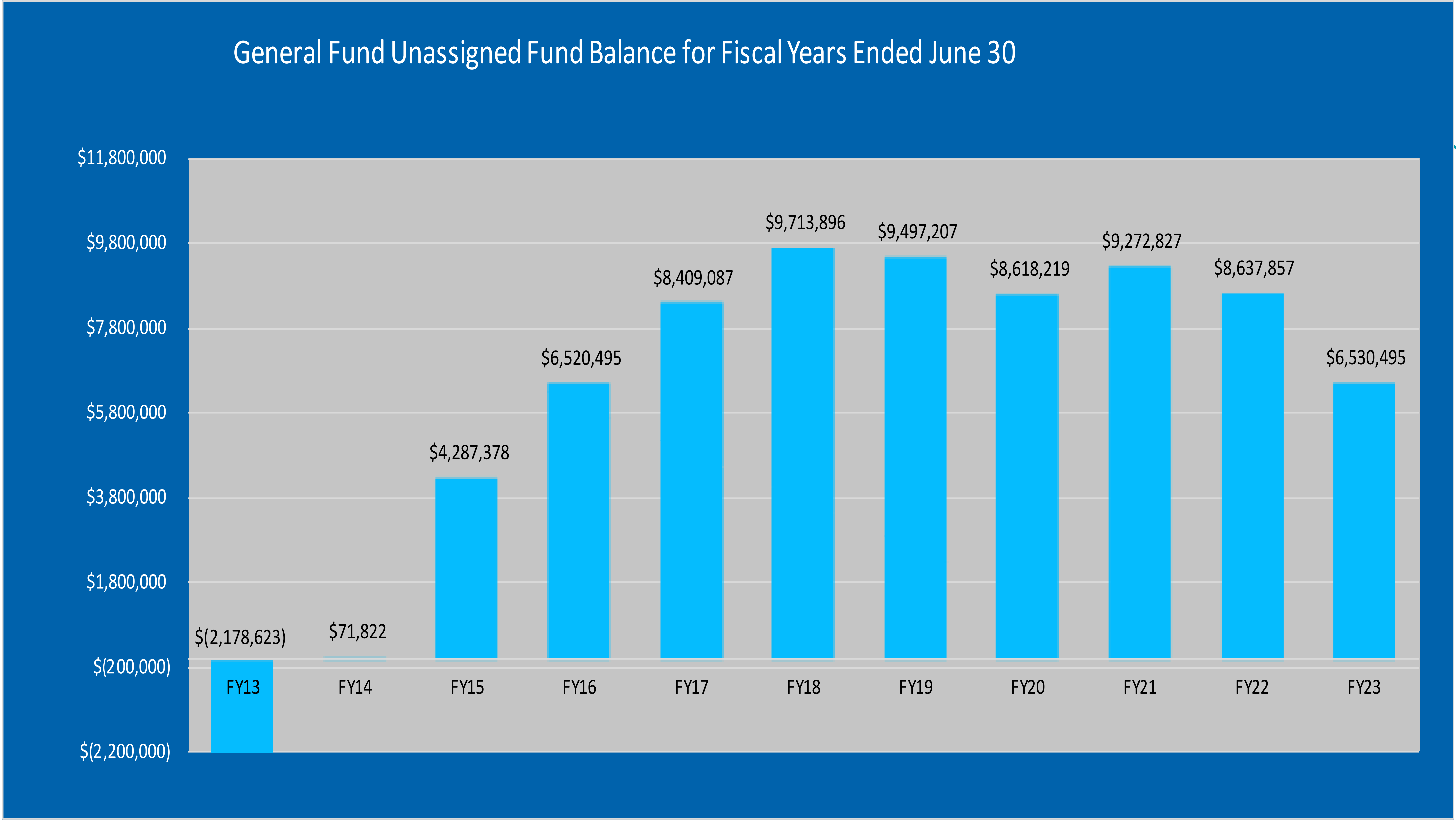
Plus Changes to other Fund Balances $2.5M

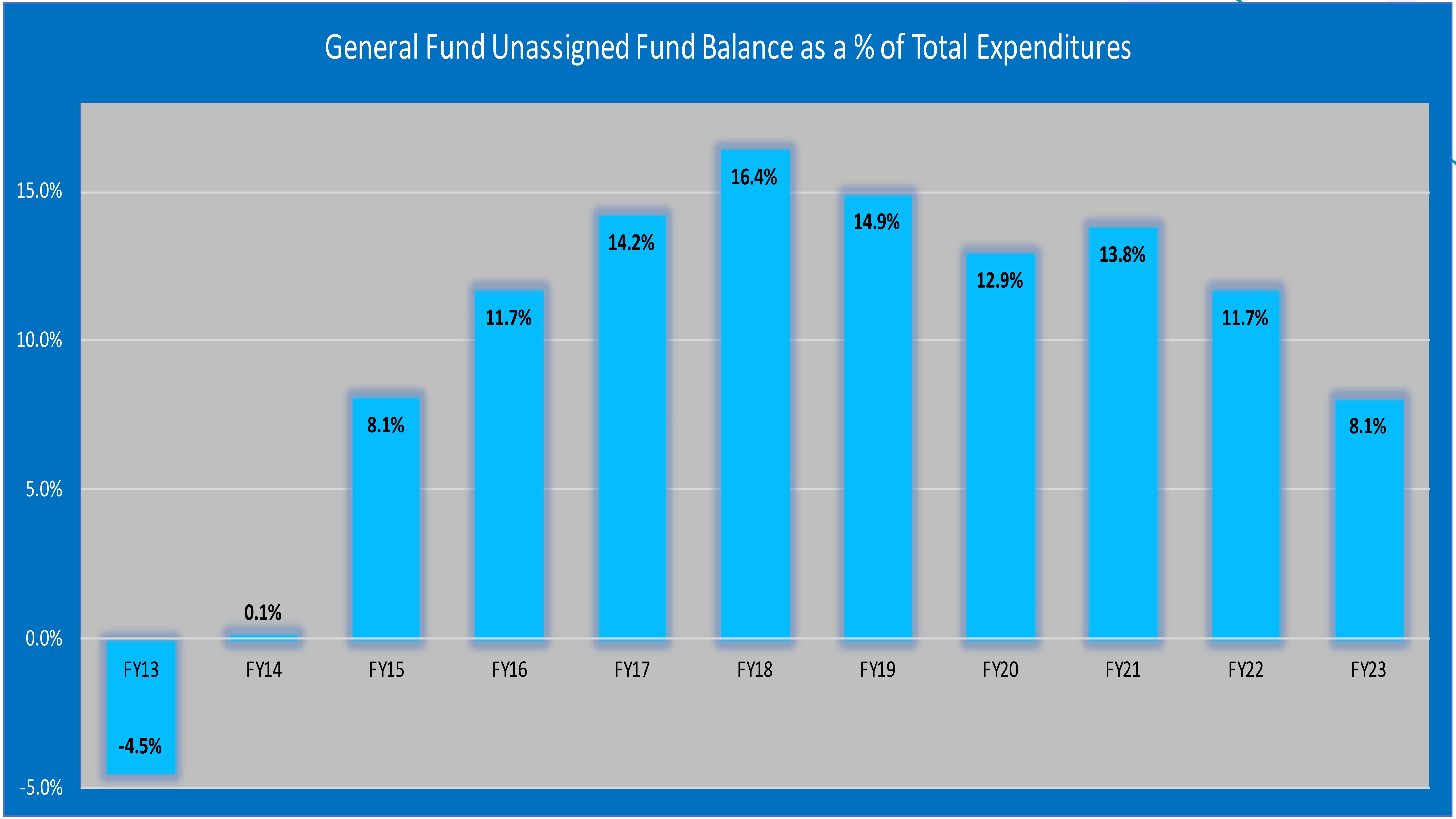
Less Net Change in Fund Balance ($4.6M)

FY23 Unassigned Fund Balance is $6.5M

General Fund Balance Classifications as of June 30, 2023 – Part 2

Fund Balance Classification	Amount (June 30, 2023)
Nonspendable	$0.7M
Restricted	$1.8M
Committed	$0.74M
Assigned	$7.8M
Unassigned	$6.5M
Subtotal	$17.5M


General Fund Unassigned Fund Balance for Fiscal Years Ended June 30
$11,800,000
$9,800,000
$7,800,000
$5,800,000
$3,800,000
$1,800,000
$(200,000)
$(2,200,000)
$(2,178,623)
$71,822
$4,287,378
$6,520,495
$8,409,087
$9,713,896
$9,497,207
$8,618,219
$9,272,827
$8,637,857
$6,530,495
FY13
FY14
FY15
FY16
FY17
FY18
FY19
FY20
FY21
FY22
FY23


General Fund Unassigned Fund Balance as a % of Total Expenditures
15.0%
10.0%
5.0%
0.0%
-5.0%
-4.5%
0.1%
8.1%
11.7%
14.2%
16.4%
14.9%
12.9%
13.8%
11.7%
8.1%
FY13
FY14
FY15
FY16
FY17
FY18
FY19
FY20
FY21
FY22
FY23

Questions and Discussion

Date: February 20 and 26, 2024

To: Board of Finance and City Council

From: Katherine Schad, Chief Administrative Officer

CC: Mayor Miro Weinberger

Memo: Responding to FY23 Audit Results

Unassigned Fund Balance

In the presentation of the Mayor's FY24 budget in June 2023, the Administration forecast an unassigned fund balance (UAFB) of approximately $7M and the FY23 audit results confirm an UAFB of $6.5M. The audit is for the fiscal year of July 2022 to June 2023 and acknowledging the context that FY23 was an unpredictable year and one of the first trying to return to post-pandemic normalcy, we are grateful that we ended this year close to where we had planned.

In the FY23 Budget the City chose to invest close to $2.5M of money from Burlington's UAFB for critical one-time investments such as relocating the City IT equipment out of Memorial Auditorium; investing in the BCA capital arts campaign; upgrading some aspects of our parks; and ensuring all residents have access to recycling toters. In the FY23 audit we see the UAFB drop as money was spent, as planned, and the resulting balance of $6.5M is 8% of operating expenses which is healthy and well within the City's fund balance policy.

FY23 Budget Performance

It is a bit challenging to get an accurate picture of how the City performed in FY23 from some of the attached audit materials because there was so much movement within our dedicated funds this year. We also experienced significant post-pandemic volatility within both our operating expenses and revenues, with both coming in significantly lower than originally projected, and ended the year with expenses outpacing revenues by approximately $600,000. This includes the use of $1M of ARPA revenue replacement funds.

	Approved	Amended Final	Actual	Variance
Revenues	$84.6M	$86.8M	$80.7M	($6.1M)
Expenses	$84.6M	$86.4M	$81.3M	$5.1M
Net	-	$0.4M	($0.6M)	**($1.0M)**

Reviewing the budget to actual combined report, the only departments that significantly over-expended their budgets were police and fire and this was due to staffing, primarily the use of overtime. The City has made progress reducing overall overtime at the fire department over the last year, and has also updated its overtime projections, so we do not expect these budget overages to continue.

In analyzing revenues, the main areas where the City fell short of budget for FY23 were:

- Taxes. Property taxes were inaccurately forecast in this year but a system developed by the new assessor will ensure this does not happen again.
- Licenses & permits. This category includes building permits (collected by the permitting and inspections department) and franchise fees (collected by water and BED). Building permits have fallen with interest rates and construction costs at very high levels and franchise fees were budgeted incorrectly in FY23. This category has been budgeted more conservatively in FY24.
- Charges for services. This category includes Payment in Lieu of Taxes and due to a timing of payments some of these were pre-paid in FY22 for FY23 but this category is appropriately budgeted for FY24.
- Contributions and donations. This category includes miscellaneous grants that the City budgeted to be budget-relieving and were not. The City is learning how to navigate the new federal funding environment and will be more conservative with future grant budgeting.

CITY OF BURLINGTON, VERMONT

GENERAL FUND

BALANCE SHEET

JUNE 30

		2023		2022
ASSETS				
Cash and cash equivalents	$	8,196,900	$	848,358
Investments		8,980,889		10,072,953
Escrows		2,223,000		2,223,000
Receivables, net of allowance for uncollectibles:				
Property and other taxes		1,766,830		1,787,222
Departmental and other		3,339,638		3,374,880
Due from fiduciary fund		-		6,140,000
Due from other funds		1,329,640		3,823,883
Advances to other funds		91,000		703,308
Inventory		318,032		194,823
Prepaid expenditures		290,353		472,662
Other current assets		110,136		176,096
TOTAL ASSETS	$	26,646,418	$	29,817,185
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable	$	1,594,951	$	1,279,650
Accrued payroll and benefits payable		1,347,869		1,395,972
Unearned revenue		2,845,907		735,365
Insurance reserve		1,071,562		891,194
Other liabilities		77,478		307,319
TOTAL LIABILITIES		6,937,767		4,609,500
Deferred Inflows of Resources:				
Unavailable revenues		2,152,236		3,080,043
Fund Balances:				
Nonspendable		699,385		1,370,793
Restricted		1,788,355		2,342,852
Committed		738,507		861,380
Assigned		7,799,673		8,914,744
Unassigned		6,530,495		8,637,873
TOTAL FUND BALANCES		17,556,415		22,127,642
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$	26,646,418	$	29,817,185

CITY OF BURLINGTON, VERMONT

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

FOR THE YEARS ENDED JUNE 30

		2023		2022
Revenues:				
Taxes	$	44,161,597	$	42,865,821
Payments in lieu of taxes		1,695,326		1,517,590
Licenses and permits		4,184,267		3,561,535
Intergovernmental		3,596,059		8,269,924
Charges for services		18,414,764		16,688,789
Contributions		912,503		851,455
Investment income (loss)		1,027,038		(554,714)
Other		349,074		385,657
Total Revenues		74,340,628		73,586,057
Expenditures:				
Current:				
General government		18,480,901		15,991,250
Public safety		33,389,941		31,253,528
Public works		5,451,832		5,075,203
Culture and recreation		14,309,499		12,836,743
Community development		1,081,422		1,352,586
Capital outlay		538,733		-
Debt service:				
Principal		4,922,831		4,606,920
Interest and bond issue costs		2,945,938		2,725,959
Total Expenditures		81,121,097		73,842,189
Excess (deficiency) of revenues over (under) expenditures		(6,780,469)		(256,132)
Other Financing Sources (Uses):				
Sale of capital asset		152,270		-
Bond premium		2,114,542		289,792
Transfers in		4,790,963		5,436,615
Transfers out		(4,848,533)		(4,434,585)
Total Other Financing Sources (Uses)		2,209,242		1,291,822
Net change in fund balances		(4,571,227)		1,035,690
Fund Balances, at Beginning of Year		22,127,642		21,091,952
Fund Balances, at End of Year	$	17,556,415	$	22,127,642

Statement of Revenues and Other Sources, Expenditures and Other Uses - Budget to Actual Co

	FY Approved Budget	FY Amended Budget	Adjusted Actual Amount
101			
Revenue	**84,581,868**	**86,818,637**	**80,732,516**
Taxes	41,269,113	41,567,714	41,125,547
Local Option	3,000,000	3,000,000	3,031,484
Payment In Lieu Of Taxes	1,440,105	1,440,105	1,695,326
Licenses and permits	5,112,136	6,043,906	4,184,267
Intergovernmental	3,183,410	3,268,704	3,353,951
Charges for Services	19,111,781	19,170,449	18,378,352
Investment Income	735,000	735,000	1,025,379
Contributions and donations	995,700	1,047,913	912,503
Interest & Penalties	0	0	0
Other Operating Revenues	1,160,110	1,310,480	221,387
Bond premium	350,000	350,000	2,114,542
Sale of Capital Asset	0	0	152,270
Use of Fund Balance	4,020,000	4,638,829	0
Transfers In	4,204,513	4,245,537	4,537,508
Expense	**84,631,867**	**86,450,500**	**81,334,161**
Nondepartmental	4,308,747	4,310,633	3,489,375
City Council	359,500	375,856	155,038
Regional Programs	2,652,774	3,117,774	2,883,668
Mayor	477,358	483,050	501,566
Clerk Treasurer	3,819,122	3,693,214	3,549,948
City Attorney	1,254,310	1,272,366	1,082,532
Planning	887,969	1,172,624	635,178
City Assessor	515,980	523,353	449,752
Human Resources & Payroll	1,159,186	1,351,191	1,171,041
REIB	1,822,813	1,882,132	1,482,628
Business & Workforce Development	1,555,582	1,563,084	773,330
Information Technology	2,378,065	1,893,659	1,804,259
Fire	13,793,547	13,988,065	14,146,391
Police	16,495,178	16,730,217	16,965,871
Permitting & Inspection	2,302,100	2,335,099	2,135,606
Public Works	5,828,397	5,917,121	5,451,832
Library	2,472,428	2,608,852	2,542,978
Parks & Recreation	9,338,703	9,365,815	8,723,712
Burlington City Arts	2,960,432	3,078,805	3,014,991
Community and Economic Development	1,502,693	1,564,665	1,081,422
Capital Outlay	1,369,657	529,110	528,733
Debt Service	6,832,719	8,149,208	7,868,770
Transfers Out	544,607	544,607	895,541
110			
Revenue	**0**	**4,635,470**	**665,887**
Taxes	0	0	4,566
Intergovernmental	0	0	242,107
Charges for Services	0	0	36,413
Investment Income	0	0	1,659
Other Operating Revenues	0	0	127,688

Use of Fund Balance	**0**	**4,635,470**	**0**
Transfers In	**0**	**0**	**253,455**
Expense	**0**	**4,635,470**	**4,635,470**
Nondepartmental	**0**	**0**	**282,361**
Clerk Treasurer	**0**	**0**	**210,008**
City Assessor	**0**	**0**	**10,218**
Police	**0**	**0**	**142,073**
Parks & Recreation	**0**	**0**	**27,818**
Capital Outlay	**0**	**0**	**10,000**
Transfers Out	**0**	**4,635,470**	**3,952,992**
Grand Total	**49,999**	**368,137**	**4,571,227**

Fund 101 is General Fund. Fund 110 is Designated (Assigned) Fund.

ombined

Variance with Final Budget
(6,086,121)
(442,167)
31,484
255,221
(1,859,639)
85,247
(792,097)
290,379
(135,410)
0
(1,089,093)
1,764,542
152,270
(4,638,829)
291,971
5,116,339
821,258
220,818
234,106
(18,516)
143,266
189,834
537,446
73,601
180,150
399,504
789,754
89,400
(158,326)
(235,654)
199,493
465,289
65,874
642,103
63,814
483,243
377
280,438
(350,934)
(3,969,582)
4,566
242,107
36,413
1,659
127,688

(4,635,470)
253,455
0
(282,361)
(210,008)
(10,218)
(142,073)
(27,818)
(10,000)
682,478
(4,939,364)

City of Burlington, Vermont
June 30
General Fund - Fund Balance Classifications

	2023
Nonspendable:	
To offset prepaid expense	290,353
To offset inventory	318,032
To offset long-term advances or interfund notes to:	
Capital project funds for:	
Great Streets	25,000
Burlington Town Center	66,000
Total Nonspendable	699,385
Restricted:	
Police Equitable Sharing Funds	292,612
Excess bond revenues - Future Debt payments / capital	1,495,743
Total Restricted	1,788,355
Committed:	
Compressed Natural Gas CNG	179,049
Fire - Alarm Surcharge	180,094
Library Books and Donations	12,278
Parking Fund by Charter	23,000
Public Records Restoration	297,147
Wellness	46,939
Total Committed	738,507
Assigned:	
Brookfield dev fees	139,412
Capital proceeds in fall borrowing understated for interest on BAN	50,000
Church street marketplace (MOU)	-
COVID-19	-
Digitize zoning files and property records	-
Early learning imitative grant	765,971
Facility repair reserve	74,646
Fleet reserve	165,000
Great streets - Champlain College	-
Health insurance reserve - limits	-
HR consultant - review of staffing and jobs	25,000
Jobs and people study	100,000
Liability insurance reserve	750,000
Development reserve	200,000
Public works - Snow removal (reserve)	250,000
Reappraisal	523,804
Burlington Telecom - escrow settlement	49,172
Planning - professional and consulting fees	234,558
Regional programs - Win Ave Corridor	15,000
Regional programs - Bystander	15,000
Regional programs - Indigenous people study	50,000
Regional programs - Expanded mental health	-
Police department - dedicated rebuilding fund	250,000
Regional dispatch - Public safety authority	150,000
Racial equity, inclusion, and belonging	214,388
BPRW - Investment	343,377
BPRW - Dewey park upgrade	86,190
Recycling totters - DPW	180,766
CT - Identify efficiencies and additional revenue opportunities	91,554
Opioid funding	142,141
IT - Move City IT equipment out of memorial	-

Operating Budget	2,565,059
City Council Initiatives	30,000
REIB - Health Emergency	50,000
Library - Repair & Maintenance	6,943
Regional Programs - Arts	26,250
Planning - additional from	255,442
Total Assigned	7,799,673
Total Fund Balance - Nonspendable, Restricted, Committed, and Assigned	11,025,920

-
-
-
-
-
-
-

2022	Change
472,662	(182,309)
194,823	123,209
433,807	(408,807)
269,501	(203,501)
1,370,793	(671,408)
294,642	(2,030)
2,048,210	(552,467)
2,342,852	(554,497)
174,483	4,566
143,681	36,413
12,278	-
23,000	-
428,638	(131,491)
79,300	(32,361)
861,380	(122,873)
139,412	-
50,000	-
356	(356)
76,953	(76,953)
150,000	(150,000)
680,805	85,166
74,646	-
665,000	(500,000)
780,000	(780,000)
750,000	(750,000)
25,000	-
100,000	-
1,000,000	(250,000)
200,000	-
250,000	-
441,958	81,846
-	49,172
275,000	(40,442)
15,000	-
15,000	-
50,000	-
400,000	(400,000)
750,000	(500,000)
150,000	-
105,614	108,774
520,000	(176,623)
100,000	(13,810)
500,000	(319,234)
150,000	(58,446)
-	142,141
500,000	(500,000)

-	2,565,059
-	30,000
-	50,000
-	6,943
-	26,250
-	255,442
8,914,744	(1,115,071)
13,489,769	(2,463,849)

-	Proof
-	Proof
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-	Proof
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CITY OF BURLINGTON, VERMONT

Management Letter
For the Year Ended June 30, 2023

Table of Contents

To the Honorable Mayor
and City Council
City of Burlington
149 Church Street
Burlington, Vermont 05401

In planning and performing our audit of the basic financial statements of the City of Burlington, Vermont as of and for the year ended June 30, 2023, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that have not been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonable possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*. The future event or events are likely to occur.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we became aware of other matters that we believe represent opportunities for strengthening internal controls and operating efficiency. The recommendations that accompany this letter summarize our comments and suggestions concerning those matters.

The City's written responses to our comments and suggestions have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of management, Mayor, and City Council, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Merrimack, New Hampshire
February 14, 2024

STATUS OF PRIOR YEAR RECOMMENDATIONS

1. Improve General Ledger Monitoring and Adhere to a Formal Closing Schedule

Prior Year Comment:
Our audit disclosed that the City continued to make a significant number of material journal entries five to six months after year-end. Accurate and timely statements provide key data to support fiscal monitoring, and monthly review of all funds' balance sheets and budget vs actual schedules is necessary to ensure accurate reporting.

We recommended that the City perform year end closing more timely. Step one in accomplishing this goal involves designating an individual to monitor and analytically review the general ledger on a monthly basis. Performing analytical procedures include reviewing all funds and balances to identify anomalies (which could be material misstatements) including unexpected deficits in fund balances and unexpected budget vs actual results. Management should monitor the process of reviewing monthly reports to ensure anomalies are identified timely. Step two is to establish a timeline to cure any misstatements within an appropriate timeframe. Implementation of this recommendation should result in earlier identification of the need for additional entries, improved internal reporting, and will streamline the year-end closing process. We further recommended that the individual designated to monitor the general ledger on a regular basis and perform analytical review of all funds and balances has limited other office responsibilities until corrective action is accomplished.

Current Year Status:
Our audit disclosed again that the City continued to make a significant number of material journal entries five to seven months after year-end. The Clerk Treasurer's office (CTO) was not fully staffed. As a result, designating an individual to perform analytical review and then assigning individuals to research the reasons behind unusual or unexpected trends and overspent budgets within an appropriate timeframe was difficult to accomplish.

Further Action Needed:
We continue to recommend that the City perform year-end closing sooner by prioritizing key reports to review earlier, which should include the annual General Fund budget vs. actual results and life-to-date Capital Project Funds budget vs. actual results. This process should allow City more time to research unexpected trends.

City's Response:
The City acknowledges that it has not made as much progress as planned on this recommendation due to difficulty hiring and retaining qualified staff in the CTO and commits to this work being a top priority in the coming year. Management acknowledges delivering key monthly reports and doing closing entries is imperative to proper budgeting and analysis. Management will communicate on a monthly basis to the City Council beginning with March 2024 with key monthly reports to analyze the general fund budget

vs. actual results and life-to-date capital project funds budget vs. actual results. Management has entered into a contract with a consultant whose assignment is to monitor the general ledger on a regular basis and perform analytical review of general and capital funds and balances to ensure that issues are resolved in a timely manner without the need for late journal entries. The consultant is working closely with CTO staff to accomplish these tasks and this is the consultant's primary task until corrective action is accomplished. Taking this corrective action will remain a top priority for Management and regular updates will be supplied to those charged with governance.

The CTO is also continuing to recruit for open positions, including the Director of Finance, so that the resources are in place to ensure smooth month- and year-end operations. The CTO will report on a monthly basis to the Board of Finance regarding these efforts.

2. Review City Ordinance Language in Comparison to Collective Bargaining Agreements (CBAs) in Relation to Pension

Prior Year Comment:
We became aware of inconsistent language in Collective Bargaining Agreements (CBAs) and the City Ordinance with respect to pension benefit calculations that has resulted in retroactive adjustments to pension benefits.

We recommended that the Legal Department ensure the language in CBAs reference applicable section of the City Ordinance or otherwise provide assurance the language in CBAs matches the City Ordinance.

Current Year Status:
We understand that the recommendation has not yet been implemented.

Further Action Needed:
We continue to recommend that the legal department ensure there that City Ordinance language is consistent with CBA language with respect to pension benefit calculations. Implementation of this recommendation will help ensure that pension benefits are made in accordance with City Ordinance.

City's Response:
The City thanks the auditor for this recommendation to ensure that pension benefits are made in accordance with the City Ordinance and the CTO will move implementing this with the legal department by April 2024. The City would like to note that retroactive adjustments to pension benefits are a rare occurrence and one that has not affected the City in recent years.

CURRENT YEAR RECOMMENDATIONS

3. Consider Improvements to Information Technology Policies

Maintaining secure, restricted access to the City's IT infrastructure is a critical element for safeguarding the City's personal and financial information. During our audit procedures, we identified instances where the provisioning process included mirroring users for access to New World Systems, but no evidence was attached to the request identifying the permissions that needed to be granted to the new users along with the appropriate approvals. Several CTO and HR individuals have privileged access that should be restricted further, if possible. It does not appear that user access review control or a formal process to communicate access removals is currently in place. Additionally, there does not appear to be a formal cybersecurity incident response plan or business continuity and disaster recovery plan.

We recommend that the City consider improvements to IT policies related to provisioning, terminations, privileged access, user access review and cybersecurity. This should result in additional safeguards to personal and financial information.

City's Response:
The City appreciates this recommendation and plans to implement it in the coming weeks. The IT and CTO departments are partnering on a user access control process formally documented and communicated in place for New World Systems. The IT department is improving policies regarding provisioning and terminations. The department is also continuing to bolster its cybersecurity resources including hiring a new cybersecurity expert this Spring who will help to create a new policy and incident response plan.

Lori Olberg

From:	soverby@sover.net
Sent:	Friday, February 23, 2024 1:17 PM
To:	Katherine Schad
Cc:	Lori Olberg
Subject:	Re: 2/26 Board of Finance Special Meeting -Agenda Item 3.1 - Burlington FY23 Audit Managment Letter missing 2nd Recommendation from FY22 Managment Letter
Attachments:	2024_02_22_Thirteen_years of annual audit problems with Weinberger administration accounting.pdf

[WARNING]: This email was sent from someone outside of the City of Burlington.

CAO Schad,

Please post my communication below (including the .pdf attachment), on the CivicClerk agenda for the Board of Finance's Special Meeting next Monday, Feb. 26th. I might not have made it clear when I sent this communication directly to all BOF members, that I intended it to be posted on the 2/26 BOF CivicClerk agenda as a communication for the BOF Feb. 26th, 2024 Special Meeting, Agenda item 3.1. Acceptance and Approval of the FY 2023 Audit - CAO and Mayor.

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Title of the communication is:

"Re: 2/26 Board of Finance Special Meeting -Agenda Item 3.1 - Burlington FY23 Audit Managment Letter missing 2nd Recommendation from FY22 Managment Letter"

This communication follows up on my communication with the BOF at their 2/20 meeting about the missing status on FY22 Recommendation #2: "Improve Community Economic Development Officer (CEDO) Capital Project Accounting" and your followup clarification EMAIL.

Thank you.

Solveig Overby

From: "soverby@sover.net" <soverby@sover.net>
Sent: 2/22/24 11:04 AM
To: "Katherine Schad" <kschad@burlingtonvt.gov>, "Ali Dieng" <adieng@burlingtonvt.gov>, "Mayor's Office" <mayor@burlingtonvt.gov>, "Mark Barlow" <mbarlow@burlingtonvt.gov>, "Joseph Magee" <jmagee@burlingtonvt.gov>, "Karen Paul" <kpaul@burlingtonvt.gov>
Cc: "zhightower@burlingtonvt.gov" <zhightower@burlingtonvt.gov>, "gbergman@burlingtonvt.gov" <gbergman@burlingtonvt.gov>, "scarpenter@burlingtonvt.gov" <scarpenter@burlingtonvt.gov>, "btraverse@burlingtonvt.gov" <btraverse@burlingtonvt.gov>, "hking@burlingtonvt.gov" <hking@burlingtonvt.gov>, "megrant@burlingtonvt.gov" <megrant@burlingtonvt.gov>, "tdoherty@burlingtonvt.gov" <tdoherty@burlingtonvt.gov>, "jshannon@burlingtonvt.gov" <jshannon@burlingtonvt.gov>, "Lori Olberg" <lolberg@burlingtonvt.gov>
Subject: RE: Board of Finance -Agenda Item 4 - Burlington FY23 Audit Managment Letter missing 2nd Recommendation from FY22 Managment Letter

Katherine,

Thank you for your EMAIL reply addressing my concern.

I stand by my opinion that the status of FY22 Recommendation #2: "Improve Community Economic Development Officer (CEDO) Capital Project Accounting" should have been addressed in the FY23 Management Letter.

City Council has received no information about the status of the City's efforts to "rebuild organizational sets and centralize our grants management" with which to verify that this important work is done. Perhaps you can provlde further documentation concerning the work you say the City has completed with consulting firm, CLA, "to rebuild organizational sets and centralize our grants management."

I have updated my summary of the last 13 years of Burlington City Audit problems to include content from the FY21, FY22 and the draft FY23 Management Letters. This lengthy document is attached in .pdf format. I'm sharing the first part of this document in the text of this EMAIL to make it more easilty accessible to all.

The document " 2024_02_22_Thirteen_years of annual audit problems with Weinberger administration accounting.pdf" is attached. .

Solveig
===

Date: 2/22/2024

Re: 2024 Update: FY23 Marcum Audit Management Letter
Weinberger administration's 13 years of audit problems concerning end of year accounting procedures and capital project accounting
From: Solveig Overby, Ward 2 resident
To: Board of Finance members: Mayor Miro Weinberger, CAO Katherine Schad, Ali Dieng, Mark Barlow, Joe Magee, Karen Paul
And: City Council President Paul, and City Councilors Joan Shannon, Eugene Bergman, Melo Grant, Zoraya Hightower, Joe Magee, Sarah E Carpenter, Ben Traverse, Ali N Dieng, Hannah King, Timothy C. Doherty, Jr., Mark Barlow

This lengthy document was originally provided to City Council in 2021 but has been updated to include the Auditors' Management Letter Recommendations and City's responses for FY21, FY22 and FY23 after the FY23 Audit Management Letter was posted for Board of Finance review the morning of their meeting on 2/20/2024. The document provides text extracts from each Burlington City Audit Management Letter summarizing the repeated accounting problems noted by Auditors going back to FY2012 .

The 2/20/2023 draft FY23 Marcum Auditors Management letter (regarding the audit of the City's FY 2023 Annual Finances for the year ended June 30, 2023), makes three Recommendations:
Status of Prior Year Recommendations:

1. Improve General Ledger Monitoring and Adhere to a Formal Closing Schedule.
2. Review City Ordinance Language in Comparison to Collective Bargaining Agreements (CBAs) in Relation to Pension

Current Year Recommendations:
3. Consider Improvements to Information Technology Policies"

As noted in a 2/20/2024 EMAIL sent to Board of Finance members, Auditor Marcum's FY23 Management Letter only provides status updates for two of the three FY22 Melanson Audit Recommendations. Last year's FY22 Audit contained Recommendation #2,
"Improve Community Economic Development Officer (CEDO) Capital Project Accounting." This was omitted from the Prior Year Status updates in Marcum's FY23 Management Letter.

Since Capital Project Accounting has been such a significant auditing problem for Burlington over the last 13 years, this item should have been listed. During the 2/20/2024 BOF meeting, CAO Schad stated that Prior Year Recommendations that are no longer issues, do not get mentioned. Considering that Capital Project Accounting has been such a big problem over the years, one would have expected there would have been a proud announcement and celebration at the Board of Finance meeting that the City has resolved its Capital Project Accounting problems. That was not the case.

CAO Katherine Schad's Reply to the BOF on my 2/20/2024 EMAIL was this:

RE: Board of Finance -Agenda Item 4 - Burlington FY23 Audit Managment Letter missing 2nd Recommendation from FY22 Managment Letter
2/21/24 8:24 AM
From: Katherine Schad kschad@burlingtonvt.gov

> Hi all,
> Thank you for your thoughtful questions last night. We resolved the issue of late posting by delaying action from last night to next Monday allowing everyone plenty of additional time for review. As mentioned, I will send materials to the entire City Council today as well.
> Regarding Solveig's comment that there is a "glaring omission" in the FY23 Auditor's Management Letter, as discussed last night, this is not the case. The reason that the FY22 recommendation "2. Improve Community Economic Development Officer (CEDO) Capital Project Accounting" is not listed in the FY23 letter is because it was resolved. This was affirmed last night verbally by our auditor and of course is good news. To elaborate further, in the FY22 management letter we said we had just started working with consulting firm, CLA, to rebuild organizational sets and centralize our grants management. We have done this work and as a result, the recommendation is not in the FY23 letter.
>
> Best,
> Katherine

I stand by my opinion that the status of FY22 Recommendation #2:
"Improve Community Economic Development Officer (CEDO) Capital Project Accounting" should have been addressed in the FY23 Management Letter.

City Council has received no information about the status of the City's efforts to "rebuild organizational sets and centralize our grants management" with which to verify CAO Schad's statement that this important work is done.

A further item of note, the FY23 Management Letter contains the following disclaimer:

> "...we considered the City 's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.... we do not express an opinion on the effectiveness of the City's internal control over financial reporting."

I would ask: Why does the Auditor not assess the effectiveness of the City's internal control over financial reporting? Doesn't the Board of Finance and City Council want to get this information?

The FY23 Marcum Auditor's Management Letter is available in CivicClerk in the 2/20/2023 Board of Finance Meeting deliberative agenda item 4.4.
https://burlingtonvt.portal.civicclerk.com/event/6946/files/agenda/10034

All prior year content from Auditors' Management Letters are available at this site: https://www.burlingtonvt.gov/CT/Audit-Reports

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From: "Katherine Schad" <kschad@burlingtonvt.gov>
Sent: 2/21/24 8:23 AM
To: Ali Dieng <adieng@burlingtonvt.gov>, Mayor's Office <mayor@burlingtonvt.gov>, Mark Barlow <mbarlow@burlingtonvt.gov>, Joseph Magee <jmagee@burlingtonvt.gov>, Karen Paul <kpaul@burlingtonvt.gov>, "soverby@sover.net" <soverby@sover.net>
Subject: RE: Board of Finance -Agenda Item 4 - Burlington FY23 Audit Managment Letter missing 2nd Recommendation from FY22 Managment Letter

Hi all,

Thank you for your thoughtful questions last night. We resolved the issue of late posting by delaying action from last night to next Monday allowing everyone plenty of additional time for review. As mentioned, I will send materials to the entire City Council today as well.

Regarding Solveig's comment that there is a "glaring omission" in the FY23 Auditor's Management Letter, as discussed last night, this is not the case. The reason that the FY22 recommendation "2. Improve Community Economic Development Officer (CEDO) Capital Project Accounting" is not listed in the FY23 letter is because it was resolved. This was affirmed last night verbally by our auditor and of course is good news. To elaborate further, in the FY22 management letter we said we had just started working with consulting firm, CLA, to rebuild organizational sets and centralize our grants management. We have done this work and as a result, the recommendation is not in the FY23 letter.

Best,

Katherine

From: Ali Dieng <adieng@burlingtonvt.gov>
Sent: Tuesday, February 20, 2024 5:40 PM
To: Mayor's Office <mayor@burlingtonvt.gov>; Katherine Schad <kschad@burlingtonvt.gov>; Mark Barlow <mbarlow@burlingtonvt.gov>; Joseph Magee <jmagee@burlingtonvt.gov>; Karen Paul <kpaul@burlingtonvt.gov>; soverby@sover.net
Subject: Re: Board of Finance -Agenda Item 4 - Burlington FY23 Audit Managment Letter missing 2nd Recommendation from FY22 Managment Letter

Thank you so much for offering to follow up in writing, CFO Schad!

Ali

From: soverby@sover.net <soverby@sover.net>
Sent: Tuesday, February 20, 2024 1:01 PM
To: Mayor's Office <mayor@burlingtonvt.gov>; Katherine Schad <kschad@burlingtonvt.gov>; Ali Dieng <adieng@burlingtonvt.gov>; Mark Barlow <mbarlow@burlingtonvt.gov>; Joseph Magee <jmagee@burlingtonvt.gov>; Karen Paul <kpaul@burlingtonvt.gov>
Subject: Board of Finance -Agenda Item 4 - Burlington FY23 Audit Managment Letter missing 2nd Recommendation from FY22 Managment Letter

[WARNING]: This email was sent from someone outside of the City of Burlington.

Board of Finance members:

(Mayor Weinberger, CAO Schad, Council President Paul, Councilors Dieng, McGee and Barlow),

I see that some of Burlington's FY23 Burlington Financial Audit documents have finally been posted this morning for your meeting tonight. I am concerned about the late posting of documents for your agenda that should be provided to the Board of Finance with sufficient time to review them and research any resulting questions. In December, CAO Schad had said the audit was complete but could not be released until after the School District audit was finished. That was posted a few weeks ago.

I will be updating the history of Auditors' Management Letter recommendations over the years which I provided to the BOF at the earlier meeting, to include the recommendations and City's responses in this year's ML.

However, I did note a glaring omission on the FY23 Auditor's Managment Letter. There is no mention of the second recommendation in last year's FY22 Management Letter: "2. Improve Community Economic Development Officer (CEDO) Capital Project Accounting"

What happened to that recommendation and what has been done by the City to address it?
See attached, an annotated copy of the FY23 Managment Letter posted this morning under BOF Deliberative agenda item 4.4. "Review of the FY23 Audit - C/T" (Burlington VT ML23 - Published_City Response.pdf).

I will attend the BOF meeting tonight, expecting you will can address this problem.

Solveig

Please note that this communication and any response to it will be maintained as a public record and may be subject to disclosure under the Vermont Public Records Act.

Date: 2/22/2024

Re: 2024 Update: FY23 Marcum Audit Management Letter
Weinberger administration's 13 years of audit problems concerning end of year accounting procedures and capital project accounting

From: Solveig Overby, Ward 2 resident
To: Board of Finance members: Mayor Miro Weinberger, CAO Katherine Schad, Ali Dieng, Mark Barlow, Joe Magee, Karen Paul

And: City Council President Paul, and City Councilors Joan Shannon, Eugene Bergman, Melo Grant, Zoraya Hightower, Joe Magee, Sarah E Carpenter, Ben Traverse, Ali N Dieng, Hannah King, Timothy C. Doherty, Jr., Mark Barlow

This lengthy document was originally provided to City Council in 2021 but has been updated to include the Auditors' Management Letter Recommendations and City's responses for FY21, FY22 and FY23 after the FY23 Audit Management Letter was posted for Board of Finance review the morning of their meeting on 2/20/2024. The document provides text extracts from each Burlington City Audit Management Letter summarizing the repeated accounting problems noted by Auditors going back to FY2012

The 2/20/2023 draft FY23 Marcum Auditors Management letter (regarding the audit of the City's FY 2023 Annual Finances for the year ended June 30, 2023), makes three Recommendations:

Status of Prior Year Recommendations:

1. Improve General Ledger Monitoring and Adhere to a Formal Closing Schedule.
2. Review City Ordinance Language in Comparison to Collective Bargaining Agreements (CBAs) in Relation to Pension

Current Year Recommendations:

3. Consider Improvements to Information Technology Policies"

As noted in a 2/20/2024 EMAIL sent to Board of Finance members, Auditor Marcum's FY23 Management Letter only provides status updates for two of the three FY22 Melanson Audit Recommendations. Last year's FY22 Audit contained Recommendation #2, "Improve Community Economic Development Officer (CEDO) Capital Project Accounting." This was omitted from the Prior Year Status updates in Marcum's FY23 Management Letter.

Since Capital Project Accounting has been such a significant auditing problem for Burlington over the last 13 years, this item should have been listed. During the 2/20/2024 BOF meeting, CAO Schad stated that Prior Year Recommendations that are no longer issues, do not get mentioned. Considering that Capital Project Accounting has been such a big problem over the years, one would have expected there would have been a proud announcement and celebration at the Board of Finance meeting that the City has resolved its Capital Project Accounting problems. That was not the case.

CAO Katherine Schad's Reply to the BOF on my 2/20/2024 EMAIL was this:

RE: Board of Finance -Agenda Item 4 - Burlington FY23 Audit Managment Letter missing 2nd Recommendation from FY22 Managment Letter
2/21/24 8:24 AM
From: Katherine Schad kschad@burlingtonvt.gov

> Hi all,
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> Regarding Solveig's comment that there is a "glaring omission" in the FY23 Auditor's Management Letter, as discussed last night, this is not the case. The reason that the FY22 recommendation "2. Improve Community Economic Development Officer (CEDO) Capital Project Accounting" is not listed in the FY23 letter is because it was resolved. This was affirmed last night verbally by our auditor and of course is good news. To elaborate further, in the FY22 management letter we said we had just started working with consulting firm, CLA, to rebuild organizational sets and centralize our grants management. We have done this work and as a result, the recommendation is not in the FY23 letter.
>
> Best,
> Katherine

I stand by my opinion that the status of FY22 Recommendation #2:
"Improve Community Economic Development Officer (CEDO) Capital Project Accounting" should have been addressed in the FY23 Management Letter.

City Council has received no information about the status of the City's efforts to "rebuild organizational sets and centralize our grants management" with which to verify CAO Schad's statement that this important work is done.

A further item of note, the FY23 Management Letter contains the following disclaimer:

> "…we considered the City 's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.…<u>we do not express an opinion on the effectiveness of the City's internal control over financial reporting</u>."

I would ask: Why does the Auditor not assess the effectiveness of the City's internal control over financial reporting? Doesn't the Board of Finance and City Council want to get this information?

The FY23 Marcum Auditor's Management Letter is available in CivicClerk in the 2/20/2023 Board of Finance Meeting deliberative agenda item 4.4.

https://burlingtonvt.portal.civicclerk.com/event/6946/files/agenda/10034

All prior year content from Auditor's Management Letters are available at this site:
https://www.burlingtonvt.gov/CT/Audit-Reports

The information from the FY20 and prior years of audit Management Letters below, was initially provided on 2/15/2021 to City Councilors: Zoraya Hightower, Sarah E Carpenter, Karen Paul, Ali N Dieng, Perri Freeman, and Joan Shannon, and former City Councilors Max Tracy, Brian Pine, William "Chip" Mason, Jane Stromberg, Jack Hanson, and Franklin Paulino

The information from Audit Management Letters FY20 and earlier, listed below was provided to the above City Councilors in connection with 2/16/2021 City Council Agenda Item 6.05 "Resolution: Authorization To Resolve Litigation And Execute Amended And Restated Development Agreement With BTC Mall Associates"
[https://go.boarddocs.com/vt/burlingtonvt/Board.nsf/goto?open&id=BY5LQL56E48C]

I had asked City Councilors not to approve the proposed replacement CityPlace development agreements until the City's New World accounting system and project management module were properly implemented to insure accountable use of project funds. I urged City Council not to commit the City to the proposed replacement financial arrangements, until the Council could assure itself and taxpayers, that commitments made through the development agreements can be properly managed in the City's accounting system.

Support for the recommendation was based on review of annual City financial Auditors' Management Letters primary source documents (extracts provided below) revealing continuing problems with the City's capital projects accounting procedures, including TIF-funded projects. The extracts below are taken from documents available at:
https://www.burlingtonvt.gov/CT/Audit-Reports

Executive Summary: Mayor Weinberger frequently mentions his financial expertise. He states that he leads by using data and expertise. In his January 10, 2020 press release announcing the appointment of new CAO Katherine Schad, he stated:

"One of the highest priorities of this Administration has been to responsibly manage the City's finances," said Mayor Weinberger. "We've made great strides in this over the last eight years, and Katherine is exactly the right person to continue this work and take it to the next level."
[https://www.burlingtonvt.gov/Press/mayor-miro-weinberger-appoints-katherine-schad-as-chief-administrative-officer]

Yet, based upon a review of the City's annual Management Letters by financial auditors, the Weinberger administration has year after year received warnings about problems with capital project accounting procedures which make it difficult to track "life to date" balances for capital projects and bond proceeds. This includes accounting for TIF-financed projects like those related to the CityPlace development.

Every year of the Weinberger administration, from 2012 to 2020, the auditing firm Melanson and Heath has warned the Mayor of problems in the way the City handles capital project accounting. The City needs to "Improve Capital Project Accounting."

One must ask, why has the Mayor not tightened up the City's capital projects accounting practices as recommended by the Auditors year after year?

Critical Management Letters issued during Mayor Weinberger's thirteen years in office

In 2011 the City claimed of its new accounting system that: "We will be able to track the status of a project, track both expense and revenue accounts, provide YTD or LTD information, compare actual to budget, and ensure all projects have a funding source." Over the eleven years of the Mayor Weinberger's tenure in office, despite the City having an accounting system with the functionality to do project accounting, the City's capital project accounting procedures are still a problem. This capital projects accounting problem has appeared year after year in City financial Audits during Mayor Weinberger's administration:

We can review these serious accounting problems, working backward, year to year, to see the Auditor's recommendations and the City's responses.

2/21/2024 Updates adding FY21, FY22 and FY23. As I mention above, one item of note, the FY23 Marcum Auditor Management Letter contains the following disclaimer:

> "...we considered the City 's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control....we do not express an opinion on the effectiveness of the City's internal control over financial reporting."

FY23

In the 2/2/2023 draft FY23 Marcum Auditors Management letter (regarding the audit of the City's FY 2023 Annual Finances for the year ended June 30, 2023) as posted for the Board of Finance on the morning of their 2/20/2024 meeting, three Recommendations were made:

"Status of Prior Year Recommendations:

> I. Improve General Ledger Monitoring and Adhere to a Formal Closing Schedule 32. Review City Ordinance Language in Comparison to Collective Bargaining Agreements (CBAs) in Relation to Pension 4

Current Year Recommendations:

> 3. Consider Improvements to Information Technology Policies"

As noted in a 2/20/2024 EMAIL sent to Board of Finance members, Auditor Marcum's FY23 Management Letter only provides status updates for two of the three FY22 Melanson Audit's Recommendations. <u>The FY22 Audit Recommendation #2 ("Improve Community Economic</u>

<u>Development Officer (CEDO) Capital Project Accounting") has been omitted from the Status update in Marcum's FY23 Management Letter.</u>

FY23 Auditor's Recommendation #1 from the 2/20/2024 draft:

1. Improve General Ledger Monitoring and Adhere to a Formal Closing Schedule

Prior Year Comment:

> "Our audit disclosed that the City continued to make a significant number of material journal entries five to six months after year-end. Accurate and timely statements provide key data to support fiscal monitoring, and monthly review of all funds ' balance sheets and budget vs actual schedules is necessary to ensure accurate reporting.
>
> We recommended that the City perform year end closing more timely. Step one in accomplishing this goal involves designating an individual to monitor and analytically review the general ledger on a monthly basis. Performing analytical procedures include reviewing all funds and balances to identify anomalies (which could be material misstatements) including unexpected deficits in fund balances and unexpected budget vs actual results. Management should monitor the process of reviewing monthly reports to ensure anomalies are identified timely. Step two is to establish a timeline to cure any misstatements within an appropriate timeframe. Implementation of this recommendation should result in earlier identification of the need for additional entries, improved internal reporting, and will streamline the year-end closing process. We further recommended that the individual designated to monitor the general ledger on a regular basis and perform analytical review of all funds and balances has limited other office responsibilities until corrective action is accomplished.

Current Year Status:

> Our audit disclosed again that the City continued to make a significant number of material journal entries five to seven months after year-end. The Clerk Treasurer's office (CTO) was not fully staffed. As a result, designating an individual to perform analytical review and then assigning individuals to research the reasons behind unusual or unexpected trends and overspent budgets within an appropriate timeframe was difficult to accomplish.

Further Action Needed:

> We continue to recommend that the City perform year-end closing sooner by prioritizing key reports to review earlier, which should include the annual General Fund budget vs. actual results and life-to-date Capital Project Funds budget vs. actual results. This process should allow City more time to research unexpected trends."

<u>City's response</u> to FY23 Auditor's Recommendation #1 in 2/20/2024 draft:

> "The City acknowledges that it has not made as much progress as planned on this recommendation due to difficulty hiring and retaining qualified staff in the CTO. Recognizing that it is important to move forward despite this challenge, in FY24 the CTO prioritized and has already begun issuing key monthly reports to analyze the general fund budget vs. actual results and life-to-date capital project funds budget vs. actual results.

The CTO has engaged a consultant who is designated to monitor the general ledger on a regular basis and perform analytical review of general and capital funds and balances. The consultant will work closely with CTO staff to accomplish these task1, and this is the consultant's primary task until corrective action is accomplished.

FY23 Auditor's Recommendation #2 from the 2/20/2024 draft:

2. Review City Ordinance Language in Comparison to Collective Bargaining Agreements (CBAs) in Relation to Pension

"Prior Year Comment:

We became aware of inconsistent language in Collective Bargaining Agreements (CB As) and the City Ordinance with respect to pension benefit calculations that has resulted in retroactive adjustments to pension benefits.

We recommended that the Legal Department ensure the language in CB As reference applicable section of the City Ordinance or otherwise provide assurance the language in CBAs matches the City Ordinance.

Current Year Status:

We understand that the recommendation has not yet been implemented.

Further Action Needed:

We continue to recommend that the legal department ensure there that City Ordinance language is consistent with CBA language with respect to pension benefit calculations. Implementation of this recommendation will help ensure that pension benefits are made in accordance with City Ordinance."

City's response to FY23 Auditor's Recommendation #2 in 2/20/2024 draft:

"The City thanks the auditor for this recommendation to ensure that pension benefits are made in accordance with the City Ordinance and the CTO will move implementing this with the legal department. The City would like to note that retroactive adjustments to pension benefits are a rare occurrence and one that has not affected the City in recent years."

FY23 Audit Recommendation #3 in the 2/20/2024 draft is a new one having serious implications for the City's ability to maintain continuity of operations in the event of disasters and to properly manage computer user access to City financial and personnel data systems:

:

CURRENT YEAR RECOMMENDATIONS

3. Consider Improvements to Information Technology Policies

"Maintaining secure, restricted access to the City's IT infrastructure is a critical element for safeguarding the City's personal and financial information. During our audit procedures, we identified instances where the provisioning process included mirroring users for access to New World Systems, but no evidence was attached to the request identifying the permissions that needed to be granted to the new users along with the appropriate approvals. Several CTO and HR individuals have privileged access that should be restricted further, if possible. It does not appear that user access review control or a formal process to communicate access removals is currently in place. Additionally, there does not appear to be a formal cybersecurity incident response plan or business continuity and disaster recovery plan.

We recommend that the City consider improvements to IT policies related to provisioning, terminations, privileged access, user access review and cybersecurity. This should result in additional safeguards to personal and financial information."

City's response to FY23 Auditor's Recommendation #3 in 2/20/2024 draft:

"The City appreciates this recommendation and plans to implement it in the coming weeks. The IT and CTO departments are partnering on a user access control process formally documented and communicated in place for New World Systems. The IT department is improving policies regarding provisioning and terminations. The department is also continuing to bolster its cybersecurity resources including a new policy and incident response plan."

FY22

In the 2022 Melanson Auditors Management letter (regarding the audit of the City's FY 2022 Annual finances for the year ended June 30, 2022), the continuing problems with the City's accounting practices are noted and specifically General Ledger Monitoring and Capital Project Accounting that has plagued the Weinberger administration from its beginning in 2012.

The Auditor's made three recommendations:

1. Improve General Ledger Monitoring and Adhere to a Formal Closing Schedule
2. Improve Community Economic Development Officer (CEDO) Capital Project Accounting
3. Review City Ordinance Language in Comparison to Collective Bargaining Agreements (CBAs) in Relation to Pension

The FY 2022 Auditor's Recommendation #1 in the final draft:

1. Improve General Ledger Monitoring and Adhere to a Formal Closing Schedule (Prior Year Comment)

"Our audit disclosed that the City continues to make a significant number of material journal entries five to six months after year-end. Some of the journal entries were identified by Clerk Treasurer's (CT) Office Staff, while other were identified by analytical procedures performed by Melanson. Specifically, the General Fund trial balance on December 1, 2022 reported an excess of expenditure over revenues of approximately $7 million. Review of budget and actual comparison schedules disclosed that ARPA grant amount of $5 million should have been recognized in the General Fund per budget approved by City Council, but was erroneously reported in a special revenue fund. Multiple other entries over $1 million each were posted in December 2022 to both General Fund and special revenue funds. Significant auditor and CT identified adjustments were also made in the various capital project funds in December 2022, refer to related comment number two. Another General Fund entry impacted the results of the pension fund, refer to related comment number three. Accurate and timely statements provide key data to support financial monitoring, and monthly review of all funds' balance sheets and budget vs actual schedules is necessary to ensure accurate reporting.

We continue to recommend that the City perform year end closing more timely. Step one in accomplishing this goal involves designating an individual to monitor and analytically review the general ledger on a monthly basis. Performing analytical procedures include reviewing all funds and balances to identify anomalies (which could be material misstatements) including unexpected deficits in fund balances and unexpected budget vs actual results. Management should monitor the process of reviewing monthly reports to ensure anomalies are identified timely. Step two is to establish a timeline to cure any misstatements within an appropriate timeframe. Implementation of this recommendation should result in earlier identification of the need for additional entries, improved internal reporting, and will streamline the year-end closing process.

We further recommend that the individual designated to monitor the general ledger on a regular basis and perform analytical review of all funds and balances should have limited other office responsibilities until corrective action is accomplished.

<u>The City's response</u> to Recommendation #1 in the final draft.

As in the years past, the City admits the problem, and promises to do more training.

"The Clerk Treasurer's office (CTO) agrees that a significant number of material journal entries were made after year-end.

It should be noted the approved $5 million in ARPA funds was only to be posted by the CTO if needed, and the amount was posted based on actual performance to budget. A review of budget vs. actual demonstrated the need to post the full $SM budgeted, and the journal entry required was posted incorrectly. It was mutually agreed the error was made, and we agree that additional staff training is required to ensure this does not happen again."

We acknowledge multiple entries were posted to the capital project funds in December. It was determined that the funding source of these funds could be filled by the use of previous premiums not utilized, and the promise of future donations. The CTO provided insight to the challenges that could impact the results of the pension fund early in the audit. This was due to a Settlement Agreement with IBEW that has not yet been finalized by legal counsel. The collective review demonstrated the need to adjust our books, and was a unique situation. We appreciate Melanson's guidance on the accounting treatment in this circumstance.

The CTO would like to note a substantial amount of staff turnover that took place in fiscal year 2022 due to retirements, and a major reorganization resulting in the shift of many accounting tasks to existing staff members. This does not excuse late journal entries or mistakes but this staff turnover does explain the particularly chaotic nature of this year's closing. We worked closely with consultant CliftonlarsonAllen (CLA) to add or replace much needed staff to CTO including a Senior Accountant, Cash & Banking Accountant, and Operations Director. We greatly appreciate the Board of Finance and City Council's support and approval of these important changes. As our new team learns their new roles, it will improve the timeliness of audit deadlines, and identifying anomalies. Despite these challenges, the CTO completed the final audit 60 days earlier than fiscal year 2021 and is poised to do so earlier and more correctly in fiscal year 2023.

We appreciate Melanson's recommendations to ensure a more timely closing and the Chief Administrative Officer will work with the team to identify one person, as requested, to absorb the new responsibility to review the general ledger on a monthly basis with support of the Comptroller, and the accounting team. This person will have limited other responsibilities and will focus on monitoring the general ledger on a regular basis and performing analytical review of all funds and balances and sharing them with management on a monthly basis. This person will also be responsible for ensuring that any mistakes are also cured within an appropriate timeframe."

The FY 2022 Auditor's Recommendation #2 in the final draft:

2. Improve Community Economic Development Officer (CEDO) Capital Project Accounting

"During our audit process, we noted that a capital funding source, grant revenue amount of over $2 million, was posted to the CEDO special revenue fund instead of Moran Plant capital project fund in error.

Complete and accurate capital project fund accounting is essential throughout the year as accurate and timely statements provide key data to support fiscal monitoring, and without it, monitoring is difficult. Monitoring capital project funds for deficits and ensuring that all transactions were properly posted should be part of the monthly analytical review."

The City's response to Auditor's FY2022 Recommendation #2 in the final draft:

"The City believes that while significant progress has been made with regards to our capital project fund accounting, acknowledges that there is still room for improvement and our next focus will be on the streamlining of CEDO accounting to ensure timely and accurate reporting. We will begin working with CLA this month, and over the next few months rebuild the organizational sets to ease the tracking of actual vs. budget results for capital project funds, and operating expenditures. The new organizational sets will be set

> up and ready for Fiscal Year 2024 budgets. We plan to centralize our federal and state grants to help with the management of our capital projects, help reduce our deficits, and allow for more timely financial data. We have taken the steps to improve the Schedule of Expenditures of Federal Awards reporting by requiring all grants regardless of size to be approved by BOF, and have designated the Grants Director as the manager of this process.
>
> This additional level of accountability will help improve this revenue source to be applied to capital, and improve timelines."

The FY 2022 Auditor's Recommendation #3 in the final draft:

3. Review City Ordinance Language in Comparison to Collective Bargaining Agreements (CBAs) in Relation to Pension

> "We are aware of inconsistent language in Collective Bargaining Agreements (CBAs) and the City Ordinance with respect to pension benefit calculations that has resulted in retroactive adjustments to pension benefits.
>
> We recommend that the Legal Department ensure the language in CBAs reference applicable section of the City Ordinance or otherwise provide assurance the language in CBAs matches the City Ordinance. Implementation of this recommendation will help ensure that pension benefits are made in accordance with City Ordinance."

City's response to the FY 2022 Auditor's Recommendation #2 in the final draft:

> "The CTO agrees with this recommendation, and to help with this initiative is requesting support from pension administrator Hooker & Holcombe (H&H) to help identify the inconsistent language in the CBAs, and the City Ordinance. H&H will provide a list of inconsistencies to help aid the Legal Department's review."

FY21
In the FY 2021 Melanson Auditors Management letter (regarding the audit of the City's FY 2022 Annual finances for the year ended June 30, 2021) the Auditors made three recommendations.

The top two Recommendations were once again, problems related to General Accounting procedures and Capital Project Accounting:

1. Improve General Ledger Monitoring and Adhere to a Formal Closing Schedule, and
2. Improve Community Economic Development Officer (CEDO) Capital Project Accounting

The third Recommendation, "3. Evaluate Funding Sources for the Parking Facilities Special Revenue Fund" did have a significant impact on the City's finances: forced repayment of the entire $3,752,060 in long-term debt held by in DPW's Parking Facility Special Revenue Fund. It was largely a consequence of lost parking revenue due to the COVID-19 pandemic.

FY 2021 Auditor's Recommendation number 1:

1. Improve Controls Over Journal Entries and Adhere to a Formal Closing Schedule (Prior Year Comment)

> "During our audit, we observed improvements over journal entries related to year-end closing. Although enhancements have been made, we continue to see untimely entries. Accurate and timely statements provide key data to support fiscal monitoring. A significant tax revenue adjusting entry was provided in January 2022 that affected the results of operations for General Fund for the year ending June 30, 2021 (fiscal year 2021). Further, some of the City's Enterprise funds have reporting requirements under General Bond Resolutions that require annual audits to be completed between 150 days after the end of the fiscal year. For the City to comply with these reporting requirements, the City must adhere to a formal closing schedule; specifically, as it relates to capital asset reporting. The capital assets reports for fiscal year 2021 were not provided until January 2022.
> We continue to recommend that the City perform year end closing more timely. Implementation of this recommendation should result in earlier identification of the need for additional entries, improved internal reporting, and will streamline the year-end closing process."

City's Response to FY 2021 Auditor's Recommendation number 1:

> "The Clerk/Treasurer's Office agrees with the recommendations above and acknowledges that all entries must be completed in a timely manner this fiscal year. We continue to work with CLA, an outside consultant, to improve on our new capital asset methodology, which reduces in half the time to process capital assets. In addition, we will provide existing staff the training required to ensure our tax revenues are booked in a timely fashion."

Auditor's FY 2021 Recommendation number 2:

2. Improve Capital Project Accounting

   "During the year, the City has made substantial improvements in the general ledger for the reporting of the capital projects, particularly expanding the number of general ledger funds. From July 1, 2020, the City began using a new project and general ledger account structure that allows the City to track. the balances spent against each project, the source of funds, and deficit or excess balances. This enables the City to have an easier access to life to date activity of the individual capital projects. However, the initial analytical review of the City's various Capital Project funds for deficits was not timely performed and journal entries were processed by the City six months after year end. The City should monitor all funds for deficits timely and ensure that all funds have proper funding sources. We recommend that the

City consider a capital project accountant position as well as a grant accountant position."

City's Response to FY 2021 Auditor's Recommendation number 2:

> "The Clerk/ Treasurer's Office thanks our auditors for acknowledging our improvements on capital projects. Further, we would like to thank the Board of Finance and City Councilor for their support of consultant services that helped CT office to develop the new system. In addition, per the auditor's recommendation, the City is considering the addition of a Capital Project/ Grant Accountant position."

[*The balance of this document was provided on 2/15/2021 to the City Councilors listed above.*]

FY20
In the 2020 Auditors Management Letter (regarding the audit of the City's FY 2020 Annual finances for the year ended June 30, 2020) they noted the following problem that has re-occurred year after year:

Improve Capital Project Accounting (Prior Year Comment)

"The City's general ledger for capital projects is operating on a limited number of general ledger funds, with detail being accounted for through a project accounting module. Project accounting life to date income statements from the system do not fully reconcile to their share of fund balance in the general ledger. This resulted in additional manual reconciliations through Excel spreadsheets, which are not reconciled timely. As a result:

1. The status of individual projects is not readily available.
2. A significant amount of journal entries are processed by the City.
3. Allocating issuance of debt by project and determining unspent issuance of debt by project is a difficult and a complicated process.

Enhancing the capital project accounting will assist with the City's review of deficit fund balances. During our initial review of the City's various Capital Project funds we noted several funds were in deficits. The City should monitor all funds for deficit fund balances and ensure all funds have proper funding sources.

We continue to recommend that the City perform an in-depth analysis of the project accounting records to be able to produce the life-to-date reports for each individual project that are meaningful and reconcile to the general ledger. Implementation of this recommendation will provide the City with the necessary framework for more complete capital project financial reporting.

We understand that the City has hired a consultant to assist with implementing this recommendation. The project is underway, and the consultant is working with the City to define and implement Best Practices."

The City's response this year, FY 2020, as it has been routinely over the years when advised of these continuing accounting problems, is that a new consultant has been hired to work on them.

"The City has hired CLA, LLP, to implement a new project accounting process and tracking procedure, and they started work in April 2020. CLA, LLP has recently completed the reconciliation of project costs incurred through June 30, 2020 against the various financing sources, as recommended by our auditors. Beginning in FY21, the City is using a new project and General Ledger (GL) account structure that allows the City to track the balances spent against each project, the source of funds, and where excess funds should be returned. The new procedures are also set up to track these projects on a life-to-date basis, which will enable the City to have a much better view of the true cost of major capital projects. Finally, this new process will also track the bond proceeds at a very detailed level. The City will be able to trace bond proceeds to specific projects, and also know the unallocated portion of each issuance, at any given time. Unspent proceeds will be returned to the bonds for re-allocation upon the completion of a given project."
[https://www.burlingtonvt.gov/sites/default/files/1__Memo%20_%20Management%20Letter%20%20Responses.docx]

In 2011, the year prior to Mayor Weinberger's first term, the City was in the process of implementing a new accounting system, New World. This new accounting system was implemented to improve the City's ability to efficiently and accurately manage its finances, including expenditure of capital project funds and bond proceeds expenditures. The 2011 Auditor's Management Letter, for the audit of City finances for FY 2011, (the year ended June 30, 2011), warned that the "City has not adequately monitored the activity of the various capital projects funds." The City's response in 2011 was:

> "The acquisition and implementation of the new financial management system has a Project Accounting Module (PAM) to help manage multiple projects, ensuring jobs are completed on time and within budget. The PAM software module will be used to track and account for all transactions related to special projects or programs. Authorized personnel will be able to view all levels of detail and actual monies spent on each project. We will be able to track the status of a project, track both expense and revenue accounts, provide YTD or LTD information, compare actual to budget, and ensure all projects have a funding source."

[https://www.burlingtonvt.gov/sites/default/files/CT/AuditReports/2011%20Management%20Letter.pdf]

Looking back each year of Mayor Weinberger's 9 years in office, from 2012 to date, the Auditors have repeatedly noted the problems with the City's capital projects accounting and the reliance on spreadsheets and journal entries made after the fact. This is how the Administration manages the finances for million-dollar capital projects, including the CityPlace development and its TIF-funded expenditures, For those interested, the rest of this document walks backward through each year, where the Auditor's Management Letters warnings are repeated, year after year.

In the 2019 Auditor's Management Letter concerning the audit of the City's FY 2019 Annual financial reports (the year ended June 30, 2019), the auditors had issued the same warning about the need to improve capital project accounting procedures that obfuscate the ability of the City to calculate "life to date" or running balances for fund expenditures.

> "The City's general ledger for capital projects is very summarized, especially when compared to the City's 10-Year Capital Plan. For example, the 10-Year Capital Plan identifies multiple parks' projects, however, all parks' "Special Projects" (the fund's name) are accounted for in one general ledger fund. A similar situation exists where all "Infrastructure Projects" are in only one fund. Additionally, personnel in the Clerk/Treasurer's Office do not have comprehensive engineer-prepared project cost estimates. Further, the purpose of the City's annual borrowing is generic and usually reads for "financing certain capital improvement for the City".
>
> "As a result:
>
> -The status of individual projects is not maintained in the general ledger.
> -Individual project budget and actual is not maintained in the general ledger.
> -Life-to-date revenue and expenditure reports are not prepared.
> -A significant amount of journal entries are processed by the City.
> -Determining if costs are project eligible is difficult and often results in significant journal entries.
> -Determining unspent bond proceeds by project is not maintained in the general ledger.
>
> We recommend that the City re-design how activity related to the City's 10-Year Capital Plan is maintained in the general ledger. In doing so, the City should address the six items noted above and perform an in-depth analysis of the summarized accounting to produce the life-to-date reports for each individual project. Implementation of this recommendation will provide the City with the necessary framework for more complete capital project financial reporting. We understand that the City has hired a consultant to assist with implementing this recommendation. The project is underway and the consultant is working with the City to define and implement Best Practices.

In 2019, the City's Response to the Auditors' warning: a consultant has been hired to fix the problems:

> "The City has retained Berry Dunn, the local government consulting group, to lead a business process review of its capital project accounting practices. The review will be collaborative, with participation from a number of City divisions. The first phase of the project will focus on understanding challenges and areas for improvement in the current

environment, followed by a second phase to develop an implementation plan of solutions, potentially involving process, policy, or technology changes. The key objective is to address the above recommendations.

[https://www.burlingtonvt.gov/sites/default/files/Management%20Letter.pdf]

In the 2018 Management Letter concerning the audit of the City's FY 2018 Annual financial reports (the year ended June 30, 2018), the Auditors had warned the City about the same problem accounting procedures:

"The City's general ledger for capital projects is very summarized, especially when compared to the City's 10-Year Capital Plan. For example, the 10-Year Capital Plan identifies multiple parks' projects, however, all parks' "Special Projects" (the fund's name) are accounted for in one general ledger fund. A similar situation exists where all "Infrastructure Projects" are in only one fund. Additionally, personnel in the Clerk/Treasurer's Office do not have comprehensive engineer-prepared project cost estimates.

As a result:

- The status of individual projects is not maintained in the general ledger.
- Individual project budget and actual is not maintained in the general ledger.
-Life-to-date revenue and expenditure reports are not prepared.
-Determining if costs are project eligible is difficult and often results in significant journal entries.
-Determining unspent bond proceeds by project is not maintained in the general ledger.

We recommend that the City re-design how activity related to the City's 10-Year Capital Plan is maintained in the general ledger. In doing so, the City should address the five items noted above and perform an in-depth analysis of the summarized accounting to produce the life-to-date reports for each individual project. Implementation of this recommendation will provide the City with the necessary framework for more complete capital project financial reporting.

We understand that the City has hired a consultant to assist with implementing this recommendation. The project is underway and the consultant is working with the City to define and implement Best Practices.

The City's Response in 2018: hire a consultant to fix the problems:

"The City has retained the consulting group of Berry Dunn to lead a business process review of its capital project accounting practices. The review will be collaborative, with participation from a number of City divisions, including DPW, Parks, Airport, CEDO, and C/T. The first phase of the project will focus on understanding challenges and areas for improvement in the current environment followed by a second phase to develop an implementation plan of solutions potentially involving process, policy, or technology changes. A key objective of the project is to mitigate prior audit Management Letter findings."

[https://www.burlingtonvt.gov/sites/default/files/Burlington%2C%20VT%20ML18%20Final.pdf]

In the 2017 Auditors' Management letter concerning the audit of the City's FY 2017 Annual financial reports (the year ended June 30, 2017), they had issued the same warning about the problem accounting procedures for capital projects.

"Improve Capital Project Accounting The City's general ledger for capital projects is very summarized, especially when com-pared to the City's 10-Year Capital Plan. For example, the 10-Year Capital Plan identifies multiple parks' projects, however, all parks' "Special Projects" (the fund's name) are accounted for in one general ledger fund. A similar situation exists where all "Infrastructure Projects" are in only one fund. Additionally, personnel in the Clerk/Treasurer's Office do not have comprehensive engineer-prepared project cost estimates.
As a result:
- The status of individual projects is not maintained in the general ledger.
-Individual project budget and actual is not maintained in the general ledger. -
-Life-to-date revenue and expenditure reports are not prepared.
-Determining if costs are project eligible is difficult and often results in significant journal entries.
-Determining unspent bond proceeds by project is not maintained in the general ledger.

We recommend that the City re-design how activity related to the City's 10-Year Capital Plan is maintained in the general ledger. In doing so, the City should address the five items noted above and perform an in-depth analysis of the summarized accounting to produce the life-to-date reports for each individual project. Implementation of this recommendation will provide the City with the necessary framework for more complete capital project financial reporting. "

In 2017, the Auditors also criticized the lack of informative detail provided by the City's Financial Statements:

"The financial reports published by the City provide only year-to-date revenues and expenditures by each fund. While this provides valuable information for the general, water, and waste water funds, the current reporting structure does not provide management with the current balances available in numerous special revenue and capital project funds. (Examples include individual CEDO grants, Pennies for Parks, Waterfront Access North, Impact Fees, and the Tax Increment Financing District.)

We recommend that the City redesign the formal financial report to include project-level balances. Implementation of this recommendation will enable management to more easily identify areas that need additional analysis and adjustments.

Finally, we recommend that the City's regular reporting package include reports designed to provide users with the financial position of the Impact Fees and the Tax Increment Financing District funds including the disclosure of amounts committed for future debt service and future project financing."
[https://www.burlingtonvt.gov/sites/default/files/Burlington%20VT%20ML17%20Final.pdf]

In the 2016 Auditors' Management letter concerning the audit of the City's FY 2016 Annual financial reports (the year ended June 30, 2016), the Auditors repeated their 2015 recommendation that monthly accounting procedures be improved to provide separate funds for tracking project and bond fund balances and expenditures.

"In the prior year, we recommended that the City continue the process of improving the general ledger reconciliation to ensure a more timely closing process. Implementation of this recommendation will increase the reliability of interim financial reports and help to minimize the risk of undetected errors and or irregularities. We also recommended that the City fully implement "Project Accounting" or expand the number of funds used.

Current Year Status: In fiscal year 2016, the City continued to make significant improvements in the monthly general ledger reconciliations process. However, during the 2016 audit process (October 2016), the City was still posting significant journal entries and/or evaluating fiscal year 2016 operating results in the following funds:
-Capital project fund accounting
-Tax increment financing
-Interfund activity
-Also, recent long-term bond refunding activity has increased the complexity of the accounting and financial reporting of bonds payable and their related premiums, net of discounts, and the gain or loss on the refunding. As a result, the City was making adjustments to the June 30, 2016 year-end schedule as late as December 2016. Further, in fiscal year 2016 the City created a life-to-date revenue and expenditure statement for the Waterfront Access North Capital Project fund using the "Project Accounting" module within the new financial management system. The preparation of life-to-date reports for other projects has been difficult given the structure of the fund numbers originally created in 2013.

Further Action Needed: We recommend the City continue efforts to streamline the general ledger reconciliation improvements made during the past few fiscal years. We also recommend that the City establish new general ledger funds for each new capital project that are either specifically identified or as a component of the annual borrowing. The new funds will permit the preparation of needed life-to-date revenue and expenditure statements. Finally, the year-end closing process of capital funds should be expanded to include a review of individual fund balances associated with each fund.

We also recommend that the City improve the preparation of the long-term debt activity schedule and their related premiums, net of discounts, and the gain or loss on the refunding. We further recommend that the City consider preparing the report on a quarterly rather than annual basis. The quarterly preparation of the report will permit for the earlier identification of general ledger adjustments and will shift the time required to analyze the refundings to earlier in the City's normal general ledger closing process.

The City's Response in 2016:

The Clerk Treasurer Office acknowledges the importance of building on the improvements already made in our general ledger reconciliation to ensure a more timely closing process. In addition, we accept the recommendation to expand the number of funds used. We acknowledge that fund accounting is unique to nonprofit organizations, and the preparation of life-to-date report for projects is difficult based upon the fund numbers created in fiscal year 2013. To ease the overall tracking of major projects that were multi-year and sizeable in nature, we should have created separate funds. The creation of separate funds would make overall reporting easier and allow for carryover of funds.

We will create a separate category of capital asset of funds that are multi-year, and typically in excess of $1 million. The purpose of using fund accounting is it will allow the City of Burlington to manage the diverse streams of revenue that we receive and to monitor the restrictions often attached to that revenue. A separate fund will have its own revenue and expense report, and its own balance sheet. We will work with our auditors, and then our departments, to ensure funds created meet the criteria of being multi-year, are sizable in nature, and will allow for overall ease of monthly reconciliations. Additionally, this methodology will assist us with TIF audits and overall ensure that projects are staying within approved overall budgets. On a similar note, we accept the recommendation that the Clerk Treasurer Office improve the preparation of the long-term debt activity schedule and related premiums, net discounts, and the gain or loss on the refunding. The City's financing activity and refinancing activity, debt compliance, financial reporting, forecasting, and management of City debt payments are sizeable, and the greatest in over a decade. The previous methods used to reconcile accounts need to be improved to better manage current debt load, and the higher expectation of financial reporting.

To correct and streamline the challenges, the Clerk Treasury Office has built a Debt Management Database (DB). We worked with and received input from our escrow agent and financial advisor to utilize tools used from Digital Assurance Certification (DAC) and Electronic Municipal Market Access (EMMA). We used this information to create and build a DB that will significantly eliminate redundancies of various reporting formats, and streamline the monthly tracking and reporting of the debt.

Lastly, with the restructuring of the Clerk/Treasurer's Office, and specifically the change in job descriptions for the accounting staff, we now have a key point person who has a clear responsibility to oversee the areas of issues identified in this finding. This more targeted structure will allow us both to continue to focus in on these issues, and more quickly respond to concerns or areas to improve.

[https://www.burlingtonvt.gov/sites/default/files/CT/AuditReports/Burlington%2C%20VT%20ML16%20Final.pdf]

In the 2015 Auditors' Management letter concerning the audit of the City's FY 2015 Annual financial reports (the year ended June 30, 2015), Melanson Heath Auditors warned the City:

"In the prior year, we recommended that the City continue the process of improving the general ledger reconciliation to ensure a more timely closing process. Implementation of this recommendation will increase the reliability of interim financial reports and help to minimize the risk of undetected errors and or irregularities.

Current Year Status: In fiscal year 2015, the City continued to make significant improvements in monthly general ledger reconciliations process. However, during the 2015 audit process (November 2015), the City was still posting significant journal entries and/or evaluating fiscal year 2015 operating results in the following funds:
- Capital project fund accounting
- Storm-water fund accounting
- Tax Increment Financing
- CEDO
-Pension fund
-Interfund activity
Additionally, a few areas from the fiscal year 2013 conversion to the new financial management system remain unresolved including:

- Fully implement "Project Accounting" module within the new financial management system (or continue to expand the number of funds).
- Monitor impact fees to ensure funds are spent timely or otherwise returned.
- Create the ability to produce a Schedule of Expenditures of Federal Awards directly from the financial management system.
- Improve the distinction between the expendable and non-expendable portion of Cemetery Perpetual Care funds.
- Identify the allowable expenditure purposes associated with Permanent Funds (other than Cemetery Perpetual Care) and Private Purpose Funds.

Further Action Needed: We recommend the City continue with the general ledger reconciliation improvements made during fiscal year 2015, and specifically address the above noted areas in fiscal year 2016.

The City's Response in 2015, (four years into using the new accounting system, New World, and five years ago): "we will provide more training":

"The City has made progress in performing reconciliations in a timely manner. The City acknowledges the "Project Accounting" module needs to be fully implemented. We

will review and streamline the monitoring of impact fees to ensure funds are spent timely or otherwise returned. We will provide additional training on the project accounting and miscellaneous billing modules, and will utilize the New World (NW) accounting system's Grant Module. The Grant Module is a new module installed in December 2015. This module is designed to automate fully the Schedule of Federal Awards. The earlier versions of NW required manually tracking of grant sources and fell short of our billing management requirements. Lastly, we have successfully improved the distinction between expendable and non-expendable portions of the Cemetery Perpetual Care Funds and have identified the allowable expenditure within the Permanent Funds and Private Purpose Funds.
[https://www.burlingtonvt.gov/sites/default/files/CT/AuditReports/Burlington%20VT%20ML15%20Final.pdf]

In the 2014 Auditors' Management letter concerning the audit of the City's FY 2014 Annual financial reports (the year ended June 30, 2014), Melanson Heath Auditors warned the City of continued problems with performing monthly financial reconciliations in general ledger accounts to minimize the risk of irregularities.

"In the prior year, we recommended that the City re-establish the process of reconciling all key general ledger accounts on a monthly basis. Implementation of this recommendation will increase the reliability of interim financial reports and help to minimize the risk of undetected errors and or irregularities.

Current Year Status: In fiscal year 2014, the City made significant improvements in monthly general ledger reconciliations process. As a result, the process of closing the year was approximately two months earlier than fiscal year 2013. However, during the 2014 audit process (November 2013), the City was still posting journal entries and/or evaluating fiscal year 2014 operating results in the following areas:

- Capital project fund accounting
- Inter-departmental charges
- Amounts due from BED
- Overall general fund budgetary results

Further Action Needed: We recommend the City continue with the general ledger reconciliation improvements made during fiscal year 2014, and specifically address the above noted areas in fiscal year 2015.

The City's Response in 2014: "The Office of Clerk Treasurer agrees with this finding and will specifically address the above-noted areas in fiscal year 2015. "

In 2014, the Auditors also noted: "During fiscal year 2014, however, there were certain areas where on-going controls and system capabilities were still not fully implemented or operational. The following items represent areas where improved monitoring of accounts and major accounting tasks that still need completion:

•Implement "Project Accounting" module within the new financial management system for capital projects and grant accounting.
•Analyze all capital projects for appropriate matching of revenue and expenditures.
•Post budgets to all individual capital projects.
•Analyze the expenditure charges to recent general bond issues to ensure funds were expended consistent with original authorizations.
•Ensure all funds have balanced budgets in the monthly financial statements.
•Monitor impact fees to ensure funds are spent timely or otherwise returned.
•Create the ability to produce a Schedule of Expenditures of Federal Awards directly from the financial management system.
•Monitor specific eligibility criteria for grant and bond funded projects expenditures.
•Improve the distinction between the expendable and non-expendable portion of Cemetery Perpetual Care funds.
•Identify the allowable expenditure purposes associated with Permanent Funds (other than Cemetery Perpetual Care) and Private Purpose Funds.
•Monitor accounting and reporting of compensated absences.
•Increase timeliness of Pension Fund reconciliations.
[https://www.burlingtonvt.gov/sites/default/files/CT/AuditReports/Burlington%20Final%20%20Ml14.pdf]

In the 2013 Auditor's Management Letter accompanying the audit of City finances for FY 2013, (the year ended June 30, 2013), Mayor Weinberger's first year in office, there is noted the continued lack of monthly reconciliation of general ledger accounts, with a consequent increased risk of undetected errors and or irregularities.

"In Fiscal Year 2013, monthly reconciliations of key general ledger accounts were not performed on a timely basis. As a result, the process of closing the year was delayed and substantial journal entries were being posted by the City through January 2014.

Key reconciliations that were not performed on a regular and timely basis include:

-Bank account balance to the general ledger
-Tax receivable accounts to detail balance due reports
-Approved budget amounts to the general ledger
-Grant and capital project receivables to award notices
-Accounts payable and payroll withholding accounts to detail records

A complete analysis of capital project activity was not performed until December 2013 When reconciliations of key accounts are not performed on a regular and timely basis, it increases the risk that errors and or irregularities could occur and go undetected as well as decreases the reliability of interim financial reports. We recommend that the City re-establish the process of reconciling all key accounts on a monthly basis. Implementation of this recommendation will increase the reliability of interim financial reports and help to minimize the risk of undetected errors and or irregularities.

City's Response: "The Clerk/Treasurer's Office agrees that there is a need for monthly reconciliation. However, historically, the City has not reconciled all accounts on a monthly basis; instead reconciling on a varying schedule depending on the amount of activity of the account. Because of the change in accounting systems, most of the accounts and operations included in this finding had not been reconciled due to the lack of time and unfamiliarity of staff with the accounting system and its relational account construction. During Fiscal Year 2014, the financial assistants and senior accountants have been reconciling accounts and activities on a monthly basis and review all other accounts and activities to ensure that they are reconciled in an appropriate timeframe. "
[https://www.burlingtonvt.gov/sites/default/files/CT/AuditReports/Burlington%2C%20VT%20ML13%20Final.pdf]

In the 2012 Auditor's 2012 Management Letter for the audit of City finances for FY 2012, (the year ended June 30, 2012), newly elected Mayor Weinberger was warned of the need to improve monitoring of capital projects, among a list other concern.

"In the prior year, we recommended that the City identify causes for all negative cash balances in capital project funds and that the City use the general ledger (not spreadsheets) to maintain a complete accounting of all capital projects.

Current Year Status: In fiscal year 2012, many requests for reimbursements were filed with the State of Vermont and many of the negative cash positions have improved, however, most projects were not completely monitored.
Further Action Needed: We continue to recommend that the City utilize the general ledger to maintain complete accounting of all capital projects.

City's Response: "In the New World financial management system, capital projects funds are established to enable the tracking of expenditures to assure, among other things, that the bond proceeds are used for their intended purpose. In the future, a separate capital projects fund will be established for each bond issued for capital purposes. "
[https://www.burlingtonvt.gov/sites/default/files/CT/AuditReports/2012%20Management%20Letter.pdf]

2/26/2024

Growth of Burlington's General Obligation Debt
Per resident between 2010 to 2023

Depending on how one calculates the increase between 2010 and 2023:

372% increase in City debt load per resident between 2010-2023 or
472% increase in City debt load per resident between 2010-2023

Year	General Obligation Debt	Burlington's Population	Debt per resident
June 30, **2010**	$64,705,583*	42,417**	$1,525.46/resident
June 30, **2022**	$154,187,909*	44,595**	$3457.51/resident
+ Burlington High School construction bonds ~~$165,000,000~~****	$130,000		
June 30, **2023** (Estimate: Actual available when Annual Report is released March 5, 2024)	~~$319,187,909~~ $284,187,909	44,327***	~~$7,200.75~~/resident $6411.17

Sources of numbers:

*Burlington Annual Reports
https://www.burlingtonvt.gov/Mayor/Annual-Reports

**US Census: QuickFacts:
https://www.census.gov/quickfacts/fact/table/burlingtoncityvermont/PST045222

***World Population Review
https://worldpopulationreview.com/us-cities/burlington-vt-population

****Burlington School District 2023 Annual Report:
https://www.bsdvt.org/2024/02/23/bsd-releases-2023-annual-report-one-pager-and-line-item-budget/