



Borough of Dormont Findings and Recommendations

January 17, 2023

Background and Scope

In accordance with our engagement letter dated July 14, 2022 with the Borough of Dormont (“Borough”), we have performed a forensic accounting and consulting investigation and analysis of certain financial issues relevant to the Borough.

As a part of our engagement, we have identified a number of findings and made recommendations for consideration by the Borough and Borough Council. Certain processes were reviewed in more detail based on our prior work with the Borough, including areas the former Bookkeeper handled and discussions with Borough employees. Our recommendations are intended to improve the financial and accounting policies, procedures, processes and internal controls at the Borough, and to monitor and manage risks. In addition, the goal of our recommendations is to help achieve effectiveness and efficiency of operations, reliability of financial reporting and overall improved governance and oversight.

However, the findings and recommendations summarized in this document do not comprise the entirety of our engagement, the results of which have been communicated to the Borough in other oral and written reports.

Findings and Recommendations

The recommendations are presented in the following risk levels:

- **A – Implement as soon as possible**
- **B – Implement within six to twelve months**
- **C – Implement after twelve months**

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Cash - Banking			
1. There are no formal written policies and procedures in place regarding the performance of bank reconciliations.	Inaccurate reporting of cash.	Create formal policy for bank reconciliation completion.	C
2. Borough is several months behind on bank reconciliations being performed.	Inaccurate reporting of cash.	Bank reconciliations should be completed within first week after month-end.	A
3. No formal review process of bank reconciliations.	Inaccurate reporting of cash.	Bank reconciliations should be formally reviewed after completion by appropriate personnel who were not involved in the preparation of the reconciliation.	A

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Cash - Banking			
4. Based on internal policy the Borough requires three signatures on checks. Reviewed many instances of only two signatures.	Checks could be prepared and submitted to the bank without the required internal approvals considering only two signatures are required by the bank on a check.	The Borough has internal controls that are designed to help mitigate this risk; however, it should reevaluate the signature policy.	B
5. Despite checks requiring three signatures, checks were cut for credit card payments with personal purchases.	Payments for personal purchases.	Supporting documentation needs to be reviewed and formally approved by appropriate personnel before checks are prepared and signed.	A

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Cash - Banking			
<p>6. Wire transfers and electronic payments could be made by Bookkeeper without review by other Borough employees. Bookkeeper had both electronic payment authorization tokens and could make transfers without approval. No oversight of ACH payments.</p>	<p>Payment of unauthorized expenses and unauthorized transfers of funds.</p> <p>Electronic transfers to personal bank accounts or personal vendors.</p>	<p>Both tokens should not be in the possession of one Borough employee. Currently, the Assistant Borough Manager is in possession of both tokens. Borough Manager should possess one of the tokens.</p>	<p>A</p>

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Cash - Banking			
7. Periodic review of which employees have access to the online banking system are not performed. There is no policy regarding when this review of the online banking system should be performed.	While having online access to banking information is efficient and effective, such access may cause a security risk over the organization's bank accounts.	Management should determine which employees require access to the online banking system and limit access to those personnel. A formal written policy should be developed which requires review of online banking access and online transactions.	B
8. Same employee collects cash from meters, writes the deposit slip, and makes the deposit to the bank for cash received.	Inaccurate reporting of cash and/or revenues. Mishandling or misappropriation of cash.	Consider appropriate segregation of duties, if possible, within cash cycle. Additionally, policies and procedures for cash receipts should be reviewed and enforced.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Cash - Banking			
9. Borough can print checks with same check number.	Misappropriation of cash.	Discuss appropriate check printing settings within Tyler.	B
10. Checks can be voided.	Misappropriation of cash.	Establish a formal review system for voided checks within Tyler.	B
11. Bookkeeper had unrestricted access to blank check stock.	Unauthorized or duplicate checks printed.	Check stock should be locked in a secure location with access restricted.	C
12. Checks to certain vendors were not mailed but were in possession of the Bookkeeper.	Unpaid vendors.	Establish vendor payment process, including invoice review, signing of checks, authorization of ACH payments, timely remittance of payments, etc.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Cash - Banking			
13. Borough does not utilize capabilities of automatic bank data upload to Tyler accounting system.	Delay in identifying bank transactions leading to additional time needed to perform bank reconciliations and identify any potential issues or fraudulent payments.	Enable automatic upload of bank data to Tyler accounting system.	C
14. Borough does not maintain a listing of bank accounts and purpose of each account.	Accounts not used for intended purpose.	Create a list of bank accounts, account numbers and purpose of each account. List should be approved by Borough Council and maintained in location where employees responsible for banking (deposits and invoice payments) can access for reference.	C

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Accounts Receivable (A/R)			
15. Undeposited checks were in possession of Bookkeeper at her residence. It appears there is no independent record of incoming checks when mail is opened.	Inbound checks could be diverted and deposited into a personal account.	Clerks who open the mail should prepare a list of all checks received including payor, amount, check number and appropriate revenue account. Segregation of duties should be established for the deposit of funds and entry of payments to the Borough into the general ledger.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Accounts Payable (A/P)			
16. Approval of purchases were not always readily apparent on vendor invoices and supporting documentation.	Payments for unapproved products and services and/or to unapproved vendors.	Designate a standard area on vendor invoices for the required approvals to be documented or consider updating the Borough's accounting/ purchasing stamp to include a designated space for such approval. Further, payments should not be made without all required approvals and supporting invoices.	A

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
<p>Accounts Payable (A/P)</p> <p>17. Written policies regarding established limits for purchasing need to be implemented. Based on our discussions, a formal resolution is in place establishing a \$5,000 spending limit for the Borough Manager.</p>	<p>Unauthorized use of purchasing system in order to misappropriate goods or services.</p>	<p>The Borough should determine, based on historical purchasing levels, an appropriate limit on an authorized employee's purchasing authority based on the employee's job responsibilities, as well as required approval levels based on the dollar amount of a purchase. The Borough should also obtain multiple quotes or bids and approvals prior to purchases above established thresholds. These purchasing levels and controls should be documented in a formal written policy and approved by Borough Council.</p>	<p>A</p>

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Accounts Payable (A/P)			
18. An approved vendor list has not been established and reviewed by Borough Council.	Unfavorable vendor terms for Borough and/or unauthorized purchases.	Develop and document vetting process for vendor validation and contracts. The vendor vetting documentation should be retained in a permanent file and a policy to restrict access to the vendor file should be established. Establish procedures for regular updates, additions and deletions to vendor list and approvals by Borough Council.	C

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Accounts Payable (A/P)			
19. Bookkeeper could set up vendors in accounting system without approval.	Unauthorized, duplicate or inappropriate vendors could be established.	Periodic review of actual vendors should be performed by appropriate Borough personnel and compared to authorized vendor list approved by Borough Council.	C
20. Borough purchases were made using personal or non-tax-exempt accounts (e.g., Amazon).	Payment of unnecessary taxes.	Limit use of personal or non-tax-exempt accounts.	B
21. Unsure of location of formal tax-exempt paperwork and certificate.	Payment of unnecessary taxes.	Locate tax-exempt paperwork and certificate and store in known location for use in the procurement process.	C

Findings and Recommendations

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Accounts Payable (A/P)			
22. Vendors with blank names were in the accounting system.	Payments to unknown vendors or individuals.	Periodic review of actual vendors should be performed by Borough Council and compared to authorized list.	B
23. Multiple vendors utilized for similar types of purchases.	Duplicate payments to vendors, improper vendor set-up or unfavorable vendor payment terms.	Periodic review of vendor list should be performed by Borough personnel and compared to authorized list approved by Borough Council.	B
24. Excessive number of vendors related to refund payments to individuals.	Improper payments to individuals set up as vendors.	Develop separate policies and procedures specific to refund payments to individuals.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Credit Cards/P-Cards			
<p>25. There is limited monitoring of purchase activity using Borough credit cards and P-cards. No defined approval process of credit card and P-card purchases and payment of invoices.</p>	<p>Inconsistent application of controls and processing and potential misuse of credit cards and P-cards.</p>	<p>Review and adopt credit card and P-card use policies and procedures to include determination of which employees require the use of a credit card, review of credit card statements, responsibility for opening credit cards, approval of purchases and documentation for individual purchases.</p>	<p>A</p>

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
<p>Credit Cards/P-Cards</p> <p>26. Supporting documentation or detailed, itemized receipts were not always available for credit card and P-card purchases. Detailed transactions do not appear to be reviewed or approved.</p>	<p>Payments could be made for unapproved products and services.</p>	<p>Review and adopt credit card and P-card use policies and procedures regarding required supporting documentation for individual purchases and approval of purchases.</p>	<p>A</p>

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Credit Cards/P-Cards			
27. Formal written policy on credit card or P-card usage, spending limits, use of personal credit cards for Borough business or approval of expense reports has not been implemented.	Potential misuse of credit cards or P-cards.	Create a listing of all credit cards and P-cards with purchase limits. Review and adopt credit card use, expense reporting and approval policies and procedures.	B
28. There are two P-cards currently in place with a credit limit on each of \$10,000 and an aggregate limit of \$20,000. No formal policy for approval of credit limits.	High credit limit may allow for potential misuse of P-cards.	Perform a periodic review of credit limits. Document the authorization of credit limits and changes in credit limits by Borough Council.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Credit Cards/P-Cards			
29. Lowe’s credit card address was changed, and statements sent to Bookkeeper’s home address without approval or knowledge of any other Borough employee.	Misuse of credit cards, including personal purchases.	Review supporting documentation and perform a periodic review of account details.	A
30. Borough Sam’s Club credit card had Bookkeeper’s son and husband listed on the credit card. Borough was unable to access on-line activity with Sam’s Club.	Misuse of credit cards, including personal purchases.	Review supporting documentation and perform a periodic review of account details.	A

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Credit Cards/P-Cards			
31. Bookkeeper could use Borough credit cards in other Borough employee names. Unable to track which Borough employee made specific purchases.	Misuse of credit cards, including personal purchases.	Restrict access to credit cards, by department. Review coding and supporting documentation for all purchases.	A
32. P-cards are all in the Borough Manager's name. Unable to track which Borough employee made specific purchases.	Misuse of credit cards, including personal purchases. Potential liability issues to the Borough Manager.	Consider use of P-cards in Borough name or Borough department name.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Payroll			
33. Payroll is done internally.	Inappropriate payroll payments.	The Borough should consider using a 3 rd party service to process payroll. The Borough is considering using Mt. Lebanon to process payroll as part of the Cooperative Financial Operations Agreement. The Borough should develop policy for review of payroll reports by Management and Borough Council in any case.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Payroll			
34. Unreconciled difference in payroll account from 2021 was not adjusted until recently.	Inappropriate payroll payments.	Payroll accounts and adjustments should be reconciled as close to period end as possible, with a periodic review of payroll reports and reconciliations performed by Management.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Financial Close and Reporting			
<p>35. All transactions in a month are not recorded on a regular basis in the accounting system. Management and Borough Council is not always receiving timely financial statements and proactive information.</p>	<p>Decisions made by the Borough based on inadequate and/or untimely information leading to compromised or delayed decision making. Misstatement of periodic reports.</p>	<p>Due to the limited availability of qualified staff, Borough should consider the hiring of part-time or contract help.</p>	A
<p>36. Financial system is not closed on a monthly basis.</p>	<p>Entries may be made that effect prior period reporting. Misstatement of periodic reports.</p>	<p>Financial system should be closed on a monthly basis within a reasonable time period.</p>	A

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Financial Close and Reporting			
37. A closing checklist and close calendar do not exist.	Closing procedures may not be in accordance with management intentions and may produce inaccurate results.	Borough should develop a closing checklist to include each account required to be reconciled, each journal entry required to be made, and each review and approval required to be documented. Borough should develop a schedule that indicates the date in which each item on the close checklist will be completed by.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Financial Close and Reporting			
<p>38. There are no formal policies and procedures in place regarding which employees can make journal entries, supporting documentation for journal entries and formal review and approval of journal entries.</p>	<p>Invalid or inaccurate postings to the general ledger. Inaccurate reporting of financial results. Inappropriate journal entries are made to cover unauthorized or fraudulent activities.</p>	<p>Develop and adopt formal written policies and procedures regarding the recording of journal entries. Management should consider which employees should record journal entries, which members of management should review and approve each journal entry, and how journal entries should be documented and approved.</p>	<p>B</p>

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Financial Close and Reporting			
39. There is no annual review or formal policy in place regarding which employees can make changes to the Chart of Accounts. The last review of the chart of accounts was approximately 10 years ago.	Invalid changes are made to the general ledger master records. Current reporting structure does not match the Borough's requirements and information needs.	Management should complete an annual review of the Chart of Accounts for appropriateness and develop and adopt formal written policies and procedures regarding who can make changes to the Chart of Accounts.	C

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
<p>Financial Close and Reporting</p> <p>40. When accounting systems were changed there were various journal entries recorded by the Bookkeeper and a Tyler representative with limited supporting documentation and understanding of the entries.</p>	<p>Inappropriate journal entries recorded. Inappropriate journal entries may misstate actual financial results or cover unauthorized or fraudulent activities.</p>	<p>Develop and adopt formal written policies and procedures regarding the recording of journal entries. Management should consider which employees should record journal entries, which members of management should review and approve each journal entry, and how journal entries should be documented and approved.</p>	<p>C</p>

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Information Technology			
41. Access within the Tyler accounting software has not been reviewed for restrictions.	Important accounting and financial information could be deleted, revised, altered, falsified or manipulated within the accounting system by individuals not authorized to perform work within different modules in the accounting system; resulting in potential for incorrect and incomplete accounting information.	Restrict access, where appropriate, to modules in the accounting system to only individuals who have responsibility for performing the assigned functions.	B
42. No formal training on Tyler accounting system has been provided to Borough employees.	Software features are not being used for maximum organizational effectiveness. Internal controls not established or effective.	Obtain formal training on Tyler accounting system for appropriate Borough employees.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Information Technology			
43. Limited formal IT or cyber security policies and procedures in place.	Unauthorized access to Borough systems. Loss of Borough data.	The Borough should review and document its IT and cyber security internal controls, policies and procedures.	C
44. There are limited policies regarding passwords.	Unauthorized access to Borough systems. Loss of Borough data.	The Borough should consult with its 3 rd party IT provider and implement a formal written policy regarding passwords to maximize security of data.	C
45. There are limited policies regarding on-boarding and termination of employees on the IT side.	Unauthorized access to Borough systems. Loss of Borough data.	The Borough should consult with its 3 rd party IT provider and implement a formal written policy regarding on-boarding and termination of employees.	C

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Information Technology			
46. A periodic review of the Tyler accounting system has not been performed to confirm that access privileges are appropriate.	Unauthorized access to Borough systems. Loss of Borough data.	The Borough should consult with its 3 rd party IT provider and implement a formal written policy regarding appropriate access privileges and internal controls.	C
47. Building can be accessed with key fob and master key to building. Key fob access can be tracked, master key access to building cannot be tracked. Also, key fob records are incomplete due to lightning strike.	Unauthorized entry to the building. Security of Borough assets and data.	Prepare written list of master key holders and list should be approved by Borough Council.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Information Technology			
48. Bookkeeper had online access to Borough bank accounts.	Mishandling or misappropriation of cash.	Restrict online access and perform a periodic review of access to bank accounts and passwords.	B
49. Bookkeeper had possession of Borough laptop after termination of employment. Also accessed email after termination.	Unauthorized access to Borough systems. Loss of Borough data.	Develop Borough's formal written policies regarding termination of employees to establish procedures for recovering Borough assets, including computers, keys, etc. as well as eliminating access to Borough network and software.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Organizational Governance			
50. Policies and procedures were approved by Borough Council in 2013 and have not been reviewed or fully implemented.	Outdated policies and procedures do not relate to current operational activities. Efficiencies are not identified or implemented.	Review and update policies and procedures. Define roles and responsibilities of Borough Council, management and staff.	B
51. Job descriptions do not match current employee roles and responsibilities.	Confusion regarding roles and responsibilities and lack of defined internal controls, checks and balances.	Specific job responsibilities should be assigned, documented and regularly reviewed.	B
52. Management and Borough Council do not always receive regular, timely and accurate financial statements and reports.	Decisions made by the Borough based on inadequate and/or untimely information leading to compromised or delayed decision making.	Implement a process to prepare complete and accurate financial reporting following the monthly and annual close.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Organizational Governance			
53. Bookkeeper position has not been replaced.	Job responsibilities are not being completed. Limited internal controls and segregation of duties. Potential overload of work with Assistant Borough Manager and other staff members.	The Borough should fill position or consider outsourcing position.	B
54. The Borough is considering a Cooperative Financial Operations Agreement with Mt. Lebanon.	Sharing financial information and online access outside of the Borough.	Detailed review of the Cooperative Financial Operations Agreement should be performed by independent auditors.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Organizational Governance			
55. Lack of detailed understanding or oversight by Borough Council regarding financial and budgetary issues.	Borough Council does not provide adequate or effective oversight of Borough operations or finances.	The Borough should review training materials with Council and consider rotation of Council members in the Finance and Legal Committee. Emphasize importance of Borough Council's role in internal controls, approvals and accountability.	B
56. Borough Treasurer position is unfilled.	Borough Council does not provide adequate or effective oversight of Borough operations or finances.	The Borough should fill open Treasurer position.	B

Findings and Recommendations

Finding	Risk(s)	Recommendation	Risk Level
Organizational Governance			
57. The Borough does not maintain a listing of all departments and services provided.	Unapproved services may be provided and related costs incurred. Lack of complete understanding of all services provided by the Borough.	Prepare a listing of all departments and services provided by the Borough. Departments and service offerings should be approved by Borough Council. Listing should be maintained in location where all Borough stakeholders can access for reference.	B