



26 OCT 2024

## **CITY OF TAFT, TEXAS FINANCE REPORT**

### **OVERVIEW OF FINDINGS, PROGRESS, AND ONGOING SUPPORT**

#### **Overview:**

In October 2024, management of the City of Taft recognized a need for assistance in the City's finance department after former employees separated from the organization. The City Manager engaged Texas First Group (TFG) to provide the professional services of an interim finance director to assist with operational continuity until a permanent, qualified candidate can be found. TFG works within the current operating budget to find interim placement personnel by working directly with the City Manager to not exceed the adopted budget for temporary, professional services.

#### **Qualifications of Interim Finance Director:**

Texas First Group placed Lindsay Koskiniemi to provide services for Taft, Texas. Ms. Koskiniemi has over 12 years of experience in local government and is a Certified Government Finance Officer (CGFO) through the Government Finance Officers of Texas (GFOAT), Certified Public Manager (CPM), and has a master's degree in Accountancy (University of Phoenix, awarded 2013) and a master's degree in Public Administration (University of Texas at Arlington, awarded 2019). Ms. Koskiniemi has professional certificates in Project Management and Lean Six Sigma (Black Belt and Master levels). Ms. Koskiniemi is a former municipal finance director and has served Warren County, Virginia (pop. 15K) as Deputy Finance Director, Richwood, Texas (pop. 6K) as Finance Director, and City of Sweeny, Texas (pop. 4K) as City Manager. Ms. Koskiniemi currently provides professional municipal consulting services to cities.

#### **Scope of Services:**

The Interim Finance Director (IFD) is currently providing consulting services to Taft for the following:

- Accounts payable,
- Utility Billing oversight,
- Payroll processing,
- Preparing financial data and reports,



- Reporting information and findings to management,
- Providing professional advice on the city's financial matters,
- Banking and treasury investment support,
- Audit preparation,
- General bookkeeping duties such as bank reconciliations, journal entries, and balancing the General Ledger,
- Gathering information to provide an opinion on the current financial condition of the City and provide recommendations to increase fund balances and reserves,
- Train staff,
- Other duties as assigned by the City Manager.

The IFD is also completing 941 payroll tax returns, bank reconciliations, journal entries, General Ledger postings, bookkeeping services, and preparing for the annual financial audit, where proactive audit preparation can save the city thousands of dollars in audit costs. Part of the IFD services includes ascertaining the city's financial condition.

#### **Current Findings:**

- City issued a clean audit opinion for the Fiscal Year 2022 – 2023 after research into the 2022 Certificates of Obligation project spending.
- \$1,416,116 of 2022 CO's spent on allowable projects in FY 2022-2023.
- \$ 294,794 of 2022 CO's spent on allowable projects in FY 2023-2024.
- Bank reconciliations have not been done since July 2023. This urgently needs to be corrected.
- Completed quarterly 941 federal payroll tax returns for calendar year 2024.
- Found that no quarterly 941 filings have been completed or paid since the third quarter of calendar year 2023.
- City owes approximately \$247K in payroll taxes from January 1, 2024. The City will owe payroll taxes for the 4<sup>th</sup> quarter of 2023 and will likely be assessed IRS fines for not filing and nonpayment.
- City not utilizing encumbrances to "freeze" obligated funds in the accounting system as purchases are initiated through requisitions. This makes it very difficult to know what year-to-date budget balances are in real time. It is likely a new system module is needed in the accounting system to use the encumbrance feature.
- No current financial or investment policies found.
- Quarterly investment reports not being completed and presented to the governing body pursuant to Chapter 2256 of the Texas Local Government Code.



**Corrective Measures:**

- Must complete all bank reconciliations to bring City current in preparation for the FY24 annual fiscal audit.
- Annual audit must be completed on time and filed with the national clearing house to retain a competitive bond rating.
- All journal entries must be completed to reconcile bank statements.
- Payment of payroll tax liabilities needs to be completed.
- Posting of all outstanding Accounts Payable entries from November 2023 to present to the General Ledger needs to be reviewed for duplication and completed to balance the ledger.
- Negotiate fines and enter a payment plan with the Internal Revenue Service for nonpayment of payroll taxes from November 2023 to present.
- Implement comprehensive financial policy including treasury and investment. The Investment policy is required to be reviewed and approved annually by resolution.
- Quarterly investment reports have been implemented.
- Open additional state-approved investment accounts – Recommended TexPool Prime, as it is yielding the highest of approved investment pools at 4.8+%.
- Train staff on Accounts Payable and Payroll.
- Enforce internal controls and increase oversight and accountability by regularly reporting to City Council.
- Provide year-to-date budget-to-actual reports monthly to all department heads.
- Provide quarterly financial reports to the City Council as part of the agenda packet for public record.
- Improve the Finance Department webpage of the City's website by including required information such as HB 3693 (Government Code § 2264.001(b) which requires governmental entities (including municipalities) to publish consumption and payment information for various utility services used by the entity annually.
- Improve accountability to the public by exhibiting the City is committed to financial transparency through good stewardship of taxpayer resources; this can include the addition of check registers on the webpage, debt reporting, etc.
- Provide regular reports on capital improvement projects (CIP).

Duties and corrective actions are subject to change based on findings and the organization's needs.