



Meeting Agenda

Finance Committee

City Hall
601 4th Avenue E
Olympia, WA 98501

Information: 360.753.8244

Wednesday, January 18, 2023

5:30 PM

Online and Via Phone

Register to Attend:

https://us02web.zoom.us/webinar/register/WN_q-MoRg7sSserUS2nG7-4wg

1. CALL TO ORDER

2. ROLL CALL

3. APPROVAL OF AGENDA

4. PUBLIC COMMENT

(Estimated Time: 0-15 Minutes)

During this portion of the meeting, community members may address the Committee for up to two (2) minutes regarding the Committee's business meeting topics.

5. APPROVAL OF MINUTES

5.A [23-0080](#) Approval of November 16, 2022 Finance Committee Meeting Minutes

Attachments: [Minutes](#)

6. COMMITTEE BUSINESS

6.A [23-0053](#) Budget Spotlight - 2024 Draft Budget Creation Calendar

6.B [23-0051](#) 2023 Finance Committee Workplan

Attachments: [Draft 2023 Work Plan](#)

6.C [23-0052](#) Fraud Loss Update

Attachments: [Presentation](#)

7. REPORTS AND UPDATES

8. ADJOURNMENT

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City Hall
601 4th Avenue E.
Olympia, WA 98501
360-753-8244

Finance Committee

Approval of November 16, 2022 Finance Committee Meeting Minutes

Agenda Date: 1/18/2023
Agenda Item Number: 5.A
File Number:23-0080

Type: minutes **Version:** 1 **Status:** In Committee

Title

Approval of November 16, 2022 Finance Committee Meeting Minutes



Meeting Minutes - Draft

Finance Committee

City Hall
601 4th Avenue E
Olympia, WA 98501

Information: 360.753.8244

Wednesday, November 16, 2022

5:30 PM

Online and Via Phone

Register to Attend:

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1. CALL TO ORDER

Chair Parshley called the meeting to order at 5:31 pm.

2. ROLL CALL

Present: 3 - Chair Lisa Parshley, Committee member Jim Cooper and Committee member Yến Huỳnh

3. APPROVAL OF AGENDA

The agenda was approved.

4. PUBLIC COMMENT

No one spoke.

5. APPROVAL OF MINUTES

5.A [22-1100](#) Approval of October 19, 2022 Finance Committee Meeting Minutes

The minutes were approved.

6. COMMITTEE BUSINESS

6.A [22-1076](#) 2023 Operating Budget Information

Committee Member Huỳnh moved, seconded by Committee Member Cooper, to send a joint recommendation of the City Manager and the Finance Committee to the full City Council to consider and approve the 2023 Operating Budget and the 2023-2028 Capital Facilities Plan.

Aye: 3 - Chair Parshley, Committee member Cooper and Committee member Huỳnh

7. REPORTS AND UPDATES

The Committee decided not to hold their December 21 meeting.

8. ADJOURNMENT

The meeting adjourned at 6:43 pm.



Finance Committee

Budget Spotlight - 2024 Draft Budget Creation Calendar

Agenda Date: 1/18/2023
Agenda Item Number: 6.A
File Number:23-0053

Type: discussion **Version:** 1 **Status:** In Committee

Title

Budget Spotlight - 2024 Draft Budget Creation Calendar

Recommended Action

Committee Recommendation:

Discussion only. No action requested.

City Manager Recommendation:

Discussion only. No action requested.

Report

Issue:

Whether to have a discussion on the 2024 draft budget calendar.

Staff Contact:

Aaron BeMiller, Finance Director, 360.753.8465

Presenter(s):

Joan Lutz, Budget and Fiscal Manager

Background and Analysis:

At the beginning of most Finance Committee meetings the Committee receives information related to a financial/accounting/economic process or function related to City business. The information is presented at a high-level and is intended to provide the Committee with an opportunity to discuss various activities or actions associated with City business operations.

Climate Analysis:

This agenda item is expected to result in no impact to greenhouse gas emissions.

Equity Analysis:

This agenda item is not expected to impact known disparities in our community.

Neighborhood/Community Interests (if known):

Members of the community may have an interest in this agenda item as it deals with City finances

and fiscal governance.

Options:

1. Receive information on this month's budget spotlight.
2. Do not receive information on this month's budget spotlight.
3. Reschedule the presentation of the information to another meeting.

Financial Impact:

There is no financial impact associated with this agenda item.

Attachments:

None



Finance Committee

2023 Finance Committee Workplan

Agenda Date: 1/18/2023
Agenda Item Number: 6.B
File Number:23-0051

Type: discussion **Version:** 1 **Status:** In Committee

Title

2023 Finance Committee Workplan

Recommended Action

Committee Recommendation:

Discussion only. No action requested.

City Manager Recommendation:

Discussion only. No action requested.

Report

Issue:

Whether to have a discussion on the draft 2023 Finance Committee Workplan.

Staff Contact:

Aaron BeMiller, Finance Director, 360.753.8465

Presenter(s):

Joan Lutz, Budget and Fiscal Manager
Aaron BeMiller, Finance Director
Jay Burney, City Manager

Background and Analysis:

The Finance Committee annually proposes and sets agenda and spotlight items for the coming year. Once set, the proposed Committee workplan is provided to the full Council for consideration. Items included in the workplan may be moved to different months or removed entirely at any time. The workplan allows for emergent issues that may arise to be added to the Committee agenda and discussed.

Climate Analysis:

This agenda item is expected to result in no impact to greenhouse gas emissions.

Equity Analysis:

This agenda item is not expected to impact known disparities in our community.

Neighborhood/Community Interests (if known):

Members of the community may have an interest in this agenda item as it deals with City finances and fiscal governance.

Options:

1. Discuss the draft 2023 Committee workplan.
2. Do not discuss the draft 2023 Committee workplan.
3. Reschedule the discussion to another meeting.

Financial Impact:

There is no financial impact associated with this agenda item.

Attachments:

Draft 2023 Work Plan

Draft 2023 FINANCE COMMITTEE WORKPLAN

Month	Spotlight	Agenda
January	2024 Budget Creation Calendar	Workplan, Fraud loss
February	GAAP v Cash & ACFR	Pavement Management, RFA Impact on City, FBC Charge Conversation
March	Transportation Benefit District Options	OMPD ILA Review & Early Year-End List, Voted/Non-voted Util Tax Review
April	Priority Based Budgeting/Community Input	Transportation Master Plan, Climate Funding Referral (Part I),
May	Levy Lid-Lift	Post RFA Vote Impact, Annexation
June	Potential Revenue Stream allowed by RCW	GPA/5 & 10 Year Financial Forecast, WCIA Insurance
July	JAS Commission Assessment/Budget	Current & Potential Transportation Revenue
August		Climate Funding Referral (Part II)
September		Transportation Revenue continued
October		Budget
November		Budget
December		Budget/2024 Workplan

<u>Budget Spotlight Ideas</u>	<u>Month</u>	<u>Agenda Item Requests</u>	<u>Month</u>
Workday Update		Sidewalk Revenue / Usage	TBD
		Olympia/Thurston Strong (to include Women/Minority/Veteran Business)	TBD
Watersmart System		Youth Council	TBD
		Inspire Olympia Report	TBD
		Lodging Tax Revenue Evaluation & Recommendation (Mike R)	TBD
		Sea Level Rise Funding	TBD
		Reimagining Public Safety Status/Funding	TBD
		Budget/Comp Plan Alignment	



Finance Committee

Fraud Loss Update

Agenda Date: 1/18/2023
Agenda Item Number: 6.C
File Number:23-0052

Type: report **Version:** 1 **Status:** In Committee

Title

Fraud Loss Update

Recommended Action

Committee Recommendation:

Discussion only. No action requested.

City Manager Recommendation:

Discussion only. No action requested.

Report

Issue:

Report out on status of loss of funds due to fraud.

Staff Contact:

Aaron BeMiller, Finance Director, 360.753.8465

Presenter(s):

Aaron BeMiller, Finance Director

Background and Analysis:

The City experienced a loss of funds through fraudulent ACH payments. The loss of \$319,145.58 was discovered October 11, 2022. All required notices were made immediately upon discovery. The General Ledger team in the Finance Department conducted an internal audit of the circumstances of the loss and provided the report to the State Auditor's Office (SAO). SAO has accepted the report and will include the loss as part of their Accountability audit of 2022 activities.

Climate Analysis:

This agenda item is expected to result in no impact to greenhouse gas emissions.

Equity Analysis:

This agenda item is not expected to impact known disparities in our community.

Neighborhood/Community Interests (if known):

Members of the community may have an interest in this agenda item as it deals with City finances

and fiscal governance.

Options:

1. Receive the report on the loss of city funds.
2. Do not receive the report on the loss of city funds.
3. Reschedule the report on the loss of city funds.

Financial Impact:

The loss equals \$319,145.58. The City has notified insurance and we are expecting an insurance settlement less deductible. We have not received final word from our insurance.

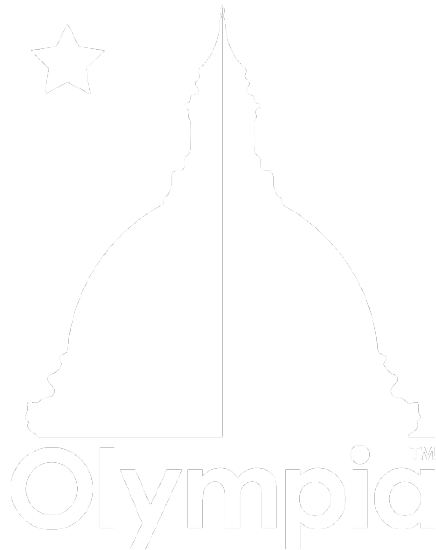
Attachments:

Presentation



LOSS OF CITY FUNDS

Finance Committee
January 18, 2023





Background

- Loss of funds through fraudulent ACH (Automated Clearing House) payments.
 - An ACH is an electronic fund transfer made between banks and credit unions.
- Loss discovered 10/11/2022
- Total loss is \$319,145.58 from two payments:
 - \$121,672.98 on 9/20/2022
 - \$197,472.60 on 9/27/2022
- The individual(s) committing the fraud started emailing in April 2022 and submitted a change of payment form in July 2022.

City Actions

- Upon discovery, and per RCW 43.09.185, the finance department reported the loss to the State Auditor's Office. Additional parties notified:
 - Police report filed with OPD
 - Insurance claim filed with WCIA
 - US Bank
 - S&P Global Ratings
- City's GL accounting team charged with conducting an internal audit to look at the actions taken by City staff related to the loss and report on compliance with established City policies/procedures.

Internal Audit Process

- Audit performed in accordance with GAAS (Generally Accepted Auditing Standards) a set of systematic guidelines used by auditors when conducting audits on companies' financial records.
- Interviews conducted with A/P (accounts payable) team:
 - Verify procedures to register ACH requests were followed
 - Used to develop expectations for documentation on ACH requests
- The audit sampled the ACH ~~sep~~ documentation of 63 vendors from a population of 432 paid through ACH in the sample period (2000–2022).
 - Randomly selected 43 or 10% of population for audit.
 - Selected an additional 20 based on professional judgement.



Internal Audit Findings

- Prior to the incident, no written procedure for ACH change requests.
 - Procedure was communicated and staff were knowledgeable of the process.
- Audit results showed a control failure of at least 1 of the 5 key controls examined occurred 14% of the time in the sample period.
 - The significant key control failure was documented verification of vendor contact. Form did not include a space for this documentation.
- Control failures contributing to the loss were not the result of a single individual.
- No indication of employee involvement.

Internal Audit Recommendations

- Immediately develop ACH policy/procedure to include:
 - Detailed written procedures to initiate, approve, and execute ACH payments.
 - Detailed process for verifying new or changed information.
 - Require a voided check or bank letter for all vendors wanting to establish ACH payments.
 - Establish safeguards to maintain segregation of duties.
 - Instruct employees on how they should share information with payees.
 - Educate and empower staff to be responsibly suspicious.
 - Training for awareness of social engineering and ACH fraud schemes.
- All recommendations have been implemented

Subsequent Information

- Prior to completion of the internal audit the A/P team had updated the ACH form to include space for documenting vendor contact prior to setting up an ACH.
- Procedures have been documented and written down and all A/P team members are informed of the update procedures.
- The City provided SAO with the internal audit report and work papers. SAO has accepted the City's findings and have closed their investigation. The City will receive an audit finding for a lack of internal controls as part of SAO's accountability audit.
- The City has received confirmation of an insurance settlement of \$250,000.

Questions?