



**MAYOR AND CITY COUNCIL OF LAUREL  
DEPARTMENT OF BUDGET AND PERSONNEL SERVICES**

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December 15, 2005

**MEMORANDUM**

TO: Mayor Craig A. Moe  
Michael R. Leszcz, Council President  
City Council Members

VIA: Kristie M. Mills, City Administrator

FROM: S. Michele Saylor, Director, Budget & Personnel Services

SUBJ: FY2005 Audit Management Letter Response

The following information is provided in response to the attached Management Letter regarding the FY2005 Annual Financial Audit.

**Reconciliation of Bank Accounts**

To be clear, the reconciliations and the corresponding journal entries are being performed in a timely manner. Taking it a step further is to reissue the reconciliation so that it reflects the posted journal entries and adjustments. This procedure is now in place.

**Capital Asset and Depreciation Recordkeeping**

During the second half of FY2005, staff members from all departments were tasked with performing physical inventories of all equipment. This was a successful exercise, but one which dominated staff time in Budget & Personnel Services (BAPS). The inventory database was updated with the results of the physical inventory, which took staff through the end of the fiscal year to complete.

This is a comment that originated in the FY2004 management letter of March 2005. BAPS now has an additional staff member that will assist in the data entry of the infrastructure inventory information into the inventory database. Until that is complete, the infrastructure has been tracked in an Excel spreadsheet.

**Capital Asset Tagging**

To address the asset tagging issue additional software will be necessary. The software vendor for the inventory system does provide the functionality of issuing a bar code tag for new equipment and for issuing bar code tags for items already in the system. There will be further planning necessary among BAPS, Information Technology & Community Services (IT&CS) and the City Administrator's Office to implement the tagging project. This, too, is a comment that originated in the FY2004 management letter of March 2005. There was insufficient time between March and June 30, 2005 to implement the program and integrate it into the physical inventory activities. The Capital Asset Tagging program will be in place for the 2006 audit.

**Roll-forward of General Fund Fund Balance**

The transfer of the ending balance of an account did not properly record as the opening balance in the new year. This item can be addressed with the creation of an error report that will be run after the “hard close” is performed at the end of each fiscal year.

**Collateralization of Deposits**

The representative from Citizens National Bank has been contacted and arrangements have been made to increase the insurance to a level that will accommodate the increasing balances due to the requirements for collecting the school surcharge fees and public safety surcharge fees from developers.

**Escrow Accounts**

The procedure regarding the use of escrow accounts was changed as soon as it was brought to my attention that the procedure was inaccurate. Historically, because the various accounts are established for a specific purpose, the incoming and expended funds were recorded directly in the escrow account alone except for the seized currency accounts. Posting the use of seized currency to a revenue and offsetting expenditure through the operating budget has always been applied in order to provide general information on the use of those funds to the administration and elected officials. Ordinance 1378, an ordinance that amended the FY2005 Operating Budget, reflected the updated procedure regarding the use of the cable equipment grant, which will be charged to the IT&CS budget. This procedure will require quarterly amending ordinances for the operating budget to record these expenditures and revenues.

City Staff take the issues contained in the annual management letter very seriously, and strive very diligently to comply with the recommendations contained therein. We appreciate the comments and recommendations that assist us with the management and accounting of the public funds entrusted to us. ■

e-cc: Martin A. Flemion, Deputy City Administrator  
Department Heads  
E. Michael Greene, Deputy Director/Human Resources Officer