

# *Forest Heights Newsletter*

November 2005

*"What a man does for himself will die with him. What he does for his community will live forever." author unknown*

Forest Heights Town Meeting  
Wednesday, November 16, 2005  
8:00 p.m.  
Forest Heights Municipal Center  
5508 Arapahoe Drive  
Forest Heights, Maryland 20745  
(301) 839-1030

*Residents are encouraged to attend and participate in information sharing and policy shaping*

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## November Activities

### **COMMUNITY SERVICE CREDIT HOURS FOR STUDENTS**

**Students needing Community Service Credit Hours for School are encouraged to assist senior citizens and handicap residents with leaf raking, beginning now!**

**To Volunteer, Please Call the Mayor's Office  
(301) 839-1030**

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### **THANKSGIVING TURKEY SHOOT**

**Friday, November 18, 2005  
Forest Heights Municipal Center  
7:00 p.m. – 8:30 p.m.**

**\$1.00 per 10 throws of the basketball**

**Ages: 6 – 8 years  
9 – 10 years  
11 – 12 years  
13 – 14 years**

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### **Join FOREST HEIGHTS CHEERLEADER SQUADS**

**Saturday, December 3, 2005  
10:00 a.m. – 12:00 noon  
Forest Heights Municipal Center  
Registration Fee: \$2.00**

**Ages 6 – 18 years**

**\*\*Assistant Cheerleader Coaches needed. Older teens invited to coach\*\***

**For more information, please call Cynthia Carter, Forest Heights Recreation Council  
(301) 839-1030**

# **1<sup>st</sup> Annual Forest Heights' Residents Birthday Party**

If you did not have a birthday party this year  
– or if you did and want another one –  
please join us for the

## ***2005 BIRTHDAY PARTY FOR FOREST HEIGHTS RESIDENTS***

**Ages 21 – 99 years**

**December 3, 2005**

**7:00 p.m. - 10:00 p.m.**

**Forest Heights Municipal Center**

**Cost: \$15 Forest Heights' Birthday Celebrants**

**\$20.00 per (non-resident) Guest**

**Light Buffet; Dancing; Sing-a-Longs; Gifts**

**Reservations and Advance Payment Required: November 27, 2005**

**Limited Seating: 150 Persons**

**(301) 839-1030**

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## **NEEDED**

### **Well maintained gift items for the Forest Heights Children's' Holiday Gift Shop**

Children will be invited to shop for siblings and parents at the Forest Heights Gift Shop on Saturday, December 17, 2005 as they visit with Santa. Please help us stock our shelves by donating (unused) items from your dresser or closets that would be suitable for wrapping. These items will be "sold" for 25 cents to one dollar to young shoppers. Proceeds will be used to cover the cost of refreshments.

Please call Cynthia Carter, co-president of the Forest Heights Recreation Council to make arrangements for delivery of your donation.

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## **NOTICE**

- Appliances set on the curb will be picked up by the Forest Heights Public Works Department. Residents will be billed \$35.00;
- We are encouraging neighbors to file written complaints with the Prince George's County Commission for Animal Control you are disturbed by barking dogs and if you are permitting your dogs and/cats to run at large. Please manage your pets properly.

Commission for Animal Control  
9400 Peppercorn Place  
Largo, Maryland 20745

Dear Neighbor:

The 2004 Fiscal (budget) Audit is complete. In May 2005, my promise was to provide you with a summary of the audit findings. I have enclosed a copy of the Auditor's *Description of Findings* in this Newsletter for your perusal. It talks about of Forest Heights' financial and management conditions. Copies of the Audit are available upon request by calling the office at (301) 839-1030.

Some have asked me "How do you recover from an \$89,000 over-expenditure." My answer has been: "You don't. You get control of your business and prevent this from happening in the future."

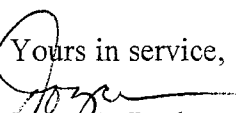
As indicated in the Auditor's *Description of Findings*, the condition of our recordkeeping and management practices is dysfunctional. It took us until mid-September 2005, to pull the last pieces of the FY-04 books together for audit. The audit then (which was due November 1, 2004) was filed on September 30, 2005. To date, we have not been able to reconcile the FY-05 books for audit because we can not find all of the invoices, receipts and transmittals to support the record (we are told that records were shredded prior to my being sworn into office). Check amounts and deposits were not always accurately posted, causing confusion and misleading assumptions. We have asked the State to extend the date for filing our FY-05 Audit (due November 1, 2005) to March 2006 to give us time to create an auditable record.

By the time I was sworn in as mayor on May 18, 2005, the FY-05 Budget had already been overspent. I immediately took the following actions on the remainder of FY-05:

- Stopped council members from participating in management, in accordance with the Forest Heights Town Charter;
- Acted on your complaints regarding trash pickups in the event we needed to cancel our contract with the Hauler;
- Looked closely at the 2005 Budget and froze spending for the last 45 days of the FY-05 budget year;
- Began establishment of order to what had become an institutionalized chaotic (dysfunctional) working environment;
- Despite a political malaise, I held firm to my commitment to make changes in the treasurer's position so we could get a handle on our financial management;
- Hired a new treasurer on September 6, 2005, and immediately began pulling the FY-05 books together, and establishing a recordkeeping system in which to begin the FY-06 books;
- Began, and continue, to look for a way to get the Town out of the contract with Ford Motors that will have us spend \$51, 673 over a four year period of time for a snow plow/dump truck that we will never own, and that, because of its inappropriateness for our needs, we can not use while we pay.

I remain committed to serve you and to protect your interests as tax payers. However, your Council has taken action to remove me from office effective December 28, 2005; appoint a member of Council to finish out my term and extend his (mayor) term by four years; and to extend their (council) terms in office by four years. These actions have been taken in response to my effort to establish order to the way we do business in Forest Heights as I have outlined above.

As I said to you on October 31<sup>st</sup>, change, when best addressed, is reacted to as opportunities for improvements. I took advantage of your decision for a change in the way Forest Heights does business to expand opportunities to get a handle on our budget; clean our environment; and to re-connect us as neighbors in a caring, sharing community. Despite the many challenges and blocks to my efforts presented by the Council, I have continued, and will remain, devoted to my commitment to serve you and to protect your interests as tax payers as long as I am your Mayor.

Yours in service,  
  
Joyce A. Beck  
Mayor

TOWN OF FOREST HEIGHTS MARYLAND  
DESCRIPTION OF FINDINGS  
For The Year Ended June 30, 2004

\* FY-04  
Financial  
Audit  
Letter

**2004-1      AUDIT PLANNING AND ASSISTANCE**

At the time of the audit, the Town of Forest Heights's accounting records, supporting schedules, documents, and other files were not in order and were in a general state of disarray. This extreme level of disorganization has the potential to cause serious errors in the financial records and financial statements. There is also a substantial risk that irregularities such as fraud and defalcation could occur and, because there is no reliable system of detection, continue undetected. This severe situation should be corrected as soon as possible with the establishment of an accounting system that contains adequate controls and related checks and balances. The future of the Town of Forest Heights is dependent on its ability to establish and maintain a sound accounting system that produces timely and accurate financial information. We have made the Town of Forest Heights aware of this, and we suggest that efforts be made during the current year to improve accounting processes and the condition of the records and files. Orderly accounting records and supporting document files should be maintained on a consistent basis so that this information is readily available to the Town of Forest Heights. Financial statements should be well supported by the corresponding backup information included in these records.

**2004-2      ESTABLISH AND IMPLEMENT ACCOUNTING POLICIES AND PROCEDURES**

As a result of our audit, we found an overall lack of review and reconciliation in many areas of the accounting and finance functions. We noted numerous instances where input was duplicated and journal entries and transfers between accounts were incorrect. We feel that the contributing factors to the deficiencies mentioned above include:

- Consistent turnover in accounting department and administration.
- Lack of well-defined accounting policies and procedures.
- Lack of training in the accounting department.

It is imperative that the Town of Forest Heights establish review and reconciliation policies and procedures at all levels of management. We feel that many of the problems identified by the audit process could have been avoided or brought to the attention of management much earlier if the records were reviewed and reconciled on a timely basis by appropriate personnel.

**2004 -3      ACCURATE POSTINGS**

There has been continuous turnover at the Town Administrator position and the Treasurer position, leading to conflicting procedures and a growing backlog of current transaction processing and lost and misplaced documentation. This disorganization in the accounting function will continue to weaken internal controls and the ability to produce accurate financial statements. During our audit procedures, we noted numerous posting errors, which required that corrections be made. This particular type of error is such that some errors may never be discovered. All adjusting entries should be documented and supported by a description indicating the need for such adjustments.

We strongly recommend the Town hire competent accounting staff. The Town of Forest Heights should give the accounting department issues the highest priority in the upcoming months.

**2004-4      CASH MANAGEMENT**

During our fieldwork, we noted the Town of Forest Heights went through extended periods without a definitive and reasonable estimate of its current cash flow position. Continued problems in receiving timely and current financial information can significantly impact management's abilities, such as providing relevant oversight and budgetary control. This has seriously impacted the Town of Forest Heights' ability to effectively and efficiently monitor its operations and manage its cash flow. We strongly suggest that the Town of Forest Heights' accounting staff post transactions on a timely basis.

During the audit, we also noted that bank statements for the Town of Forest Heights' various accounts were not reconciled to the general ledger. We recommend that all of the bank accounts be reconciled monthly to the general ledger and that all reconciling items be promptly investigated and adjusted with adequate explanations. We suggest the Town of Forest Height's manager regularly review the bank reconciliation. If these tasks can become routine and accurate, cash management procedures can then be enacted, which could result in much improved interest earnings.

We also recommend that the inactive bank accounts be reviewed to determine the necessity for these accounts. We noted several accounts with no activity other than service charges.

**2004-5      CASH RECEIPTS: SEGREGATION OF DUTIES**

We noted that there was a lack of segregation of duties within the cash receipts area. The objective of internal control over cash receipts is to obtain control over amounts received at the time of receipt. Currently, the Town has one employee handling the cash receipts functions. We feel that separating these closely related functions in the cash receipts system of the Town of Forest Heights will result in much greater internal control in this particular area. To achieve this control, certain duties involving receipts should be handled by more than one member of the Town of Forest Heights' personnel. The following are examples of procedures that could be enacted to improve efficient internal control:

- One employee, preferably the receptionist, should open the mail, make a control list of all receipts, and restrictively endorse all items received as “for deposit only.” This would prevent any unauthorized endorsement should the checks be misplaced or lost before being deposited.
- The receipts should then go to another employee for further processing and deposit to the bank on a timely basis.
- Then, someone who does not otherwise handle receipts should compare the deposit slips to the list of receipts to ensure that all funds reflected on the receipts were deposited.

We were unable to trace at least one deposit confirmed by the state for police protection to the bank statements.

#### **2004-6 PERSONAL PROPERTY TAXES**

During our audit, we noted that the business personal property taxes had been billed randomly. This is a significant source of revenue for the Town. We recommend management review the personal property billing process and implement procedures to insure all Town businesses personal property tax assessments are billed and collected in a timely manner.

#### **2004-7 SUPPORT FOR CASH DISBURSEMENTS NEEDED**

In numerous instances, we noted that check copies were the sole documentation retained in support of disbursements. To provide adequate disbursement documentation, a copy of the invoice, or a check request form containing a description of the purpose when there is no invoice, should be retained for each disbursement. We suggest that this practice be initiated as soon as possible. Also, approval should be clearly noted on the invoice by the responsible party.

#### **2004-8 CASH DISBURSEMENTS: SEQUENTIAL, NUMERICAL CHECK CONTROL**

While conducting cash disbursements testing, we noted that many checks were written out of sequence. Cash disbursements control procedures should be designed to be practicable and to provide reasonable assurance that no unauthorized payments are made, all liabilities are timely paid, and payments are accurately recorded. These controls include accounting for the sequential order of checks as they are released for use, prior to preparation. We recommend that strict numerical control be kept over all checks issued and that checks be issued in sequence.

#### **2004-9 PAYROLL**

Payroll costs are the single highest expense category for the Town. A strong system of internal controls should be implemented to avert and detect errors and misappropriations. The following functions should be performed:

- Comparison of actual expenses to budgeted information and review of unexpected variances.

- Close supervision and review of reports prepared by the outside payroll service.
- Separation of payroll functions of employment, timekeeping, payroll preparation and record keeping.
- The Town improperly recorded the payroll expense during the year. The employee-net payroll was charged to the expense accounts and all the payroll taxes were grouped together. The payroll posting should be a consistent recurring adjustment each pay period.

**2004-10 PENSION PLAN**

The contributions to the pension plan on behalf of the Town employees should be made in a timely manner. We noted that two years of contributions were made in fiscal year 2004. We also encourage the Town to determine if all the necessary filing requirements for the pension plan are current and the plan documents meet the Internal Revenue Service regulations.

**2004-11 OVER-EXPENDITURE**

The Town's actual expenditures exceeded the budgeted amount by \$87,564. This is in violation of the Town's charter. The Administrative department, Public Works, and the Police department overspend their budgets. We recommend the actual revenues and expenses as compared to the budget be reviewed periodically and budget amendments made when necessary.

TOWN OF FOREST HEIGHTS  
 SCHEDULE OF REVENUES AND EXPENDITURES  
 BUDGET AND ACTUAL - NON GAAP BUDGETARY BASIS  
 GENERAL FUND  
 For The Year Ended June 30, 2004

	Original Budget	As Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 434,300	\$ 440,337	\$ 439,010	\$ (1,327)
Licenses and permits	25,000	22,000	23,403	1,403
Intergovernmental	108,667	117,015	178,044	61,029
Fines and forfeitures	450	7,100	6,340	(760)
Miscellaneous	43,100	94,399	32,149	(62,250)
<b>Total Revenues</b>	<b>611,517</b>	<b>680,851</b>	<b>678,946</b>	<b>(1,905)</b>
<b>EXPENDITURES</b>				
Administration	216,108	264,203	294,632	(30,429)
Police department	165,511	155,748	212,716	(56,968)
Public works				
- administration	67,925	74,900	92,859	(17,959)
- street and lighting	52,100	31,450	30,028	1,422
- horticulture & park maint.	3,949	2,749	482	2,267
Other	152,265	151,801	137,698	14,103
<b>Total Expenditures</b>	<b>657,858</b>	<b>680,851</b>	<b>768,415</b>	<b>(87,564)</b>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<b>\$ (46,341)</b>	<b>\$ -</b>	<b>\$ (89,469)</b>	<b>\$ (89,469)</b>