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*Corrective Action Plan Update*  
*FY 2016 Audit*

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STATUS REPORT - 2016 AUDIT CORRECTIVE ACTION PLAN

2016 AUDIT CORRECTIVE ACTION PLAN

APRIL 26, 2018

CITY OF INDEPENDENCE

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*Status Report*  
*Corrective Action Plan*  
*FY 2016 Audit*

*City of Independence*

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**2016 AUDIT CORRECTION PLAN  
For the Year Ended December 31, 2016**

**Status Report – April 26, 2016**

<b>FINDING</b>	<b>Corrective Action</b>	<b>Goal Date</b>	<b>Status</b>
<b>2016-001</b>	The City will establish a written policy regarding the creation and review of journal entries.	June 1, 2018	<ol style="list-style-type: none"> <li>1. Policy development</li> <li>2. Management review</li> <li>3. City staff reviewing finalists for Treasurer/Accounting Clerk</li> <li>4. Journal Entries will be directed or performed by Finance Director and approved by Finance Director. Monthly JE Audit report will be reviewed with City Manager</li> <li>5. Reviewing all 2017 Journal Entries to ensure proper documentation and approval</li> <li>6. 2016 Audit journal entries have been properly performed in accordance to auditors' directions in the proper period</li> </ol>
<b>2016-002</b>	The City will implement controls to ensure accuracy and completeness of bank reconciliations.	June 1, 2018	<ol style="list-style-type: none"> <li>1. Flow chart bank reconciliation process</li> <li>2. Segregation of duties - City staff reviewing finalists for Treasurer-Accounting Clerk</li> <li>3. Establishing new reconciliation process as identified by Finance Director, City Auditors, and outside consultant</li> <li>4. Beginning in May 2018, a 3<sup>rd</sup> type of appropriation will be performed on a monthly basis for all draft payables which are currently being recognized in the A/P appropriations. This will provide a proper accounting of these payments for the period they occurred.</li> </ol>

**2016 AUDIT CORRECTION PLAN**  
**For the Year Ended December 31, 2016**

**Status Report – April 26, 2016**

FINDING	Corrective Action	Goal Date	Status
			<ol style="list-style-type: none"> <li>5. INCODE has been contacted to receive detailed information regarding the reconciliation process to be performed in the accounting software platform rather than through spreadsheet reconciliation</li> </ol>
<p><b>2016-003</b></p>	<p>The City will implement controls to ensure accuracy and completeness of encumbrances.</p>	<p>June 1, 2018</p>	<ol style="list-style-type: none"> <li>1. Implement actual purchase order system in INCODE software</li> <li>2. City staff will review finalists for the Treasurer/Accounting Clerk position</li> <li>3. INCODE has been contacted to receive detailed information regarding the purchase order system. Review of this includes proper implementation of purchase order procedures as well as encumbrances within the accounting software platform.</li> <li>4. Perform year-end review of expenses and committed projects to ensure proper accounting of expenditures and encumbrances in the proper year</li> <li>5. Purchasing Policy will be developed and implemented. Creation of this will be performed by research of existing policies of other communities/agencies and consultation with auditors.</li> </ol>

**2016 AUDIT CORRECTION PLAN  
For the Year Ended December 31, 2016**

**Status Report – April 26, 2016**

<b>FINDING</b>	<b>Corrective Action</b>	<b>Goal Date</b>	<b>Status</b>
<b>2016-004</b>	The City will implement controls to ensure accuracy and completeness of the Schedule of Expenditures of Federal Awards.	June 1, 2018	<ol style="list-style-type: none"> <li>1. Management and oversight by Finance Director</li> <li>2. Accounting/reconciliation of SEFA will be performed and reviewed by City Manager and Finance Director prior to audit commencement</li> <li>3. Capital Project spreadsheet will be created to track activity of project and expenditures for each budget year</li> <li>4. Review with auditors to assist with guidelines and creating procedures to ensure proper adherence of requirements and regulations. (<u>Also applies to Findings 2016-006 through 2016-008 below</u>)</li> </ol>
<b>2016-005</b>	The City will implement controls to ensure accuracy and completeness of encumbrances and journal entries.	June 1, 2018	<ol style="list-style-type: none"> <li>1. Finance Director has and will continue to implement a proper purchase order process using the current version of INCODE</li> <li>2. Journal Entries are being properly performed to include detail, accuracy and approval</li> <li>3. Also see <u>Finding 2016-001</u> above for corrective action</li> <li>4. Also see <u>Finding 2016-003</u> above for corrective action</li> </ol>
<b>2016-006 2016-007 2016-008</b>	The City will implement a system of internal controls over compliance that is compliant with Standards for Internal Control in	June 21, 2018	<ol style="list-style-type: none"> <li>1. Proper accounting of federal programs to include expenditures and reimbursements</li> </ol>

**2016 AUDIT CORRECTION PLAN**  
**For the Year Ended December 31, 2016**

**Status Report – April 26, 2016**

<b>FINDING</b>	<b>Corrective Action</b>	<b>Goal Date</b>	<b>Status</b>
	<p>the Federal Government (Green Book), issued by the Comptroller General of the United States, or the Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p>		<ol style="list-style-type: none"> <li data-bbox="1005 352 1484 579">2. Review with auditors to evaluate new government regulations implemented in 2016 to ensure procedures and policies are established to comply with requirements</li> <li data-bbox="1005 596 1484 663">3. Also see <u>Finding 2016-004</u> above for corrective action</li> </ol>

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*Corrective Action Plan*

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**CITY OF INDEPENDENCE, KANSAS AUDIT  
FOR THE YEAR ENDED DECEMBER 31, 2016  
CORRECTIVE ACTION PLAN**

**Finding 2016-001**

The City will establish a written policy regarding the creation and review of journal entries. This policy will include the requirement that an individual with sufficient knowledge and training in accounting create all journal entries, but prior to entering the entries into the software, the journal entries and their backup documentation must be reviewed and approved by a member of management that also has the necessary skills and knowledge to understand the cause and effect of the journal entry. This review will be documented with a signature and date. To accomplish proper segregation of duties, the City will hire a full time bookkeeping position and it will be preferred that the individual hired has a minimum of a bachelor's degree in an accounting and/or a minimum three years of municipal experience.

**Finding 2016-002**

The City will implement controls will be in place to ensure accuracy and completeness of bank reconciliations. The City will investigate the ability to implement the bank reconciliation process within the accounting software and not in a separate spreadsheet; properly segregating duties so that the bank reconciliation is performed by an individual that is not involved in the recording and custody functions of cash transactions; having an individual, other than the person performing the reconciliation, open and review the original bank statement; and all bank reconciliations will be reviewed by upper management with their view including a review of the actual bank statement and cancelled check, and the review will be documented by a signature and a date. To accomplish proper segregation of duties, the City will hire a full time bookkeeping position and it will be preferred that the individual hired has a minimum of a bachelor's degree in an accounting and/or a minimum three years of municipal experience.

**Finding 2016-003**

The City will implement controls to ensure accuracy and completeness of encumbrances. Additionally, the accounting software setup will be investigated for proper use of purchase orders in correctly reporting encumbrances. To accomplish proper segregation of duties, the City will hire a full time bookkeeping position and it will be preferred that the individual hired has a minimum of a bachelor's degree in an accounting and/or a minimum three years of municipal experience.

**Finding 2016-004**

The City will implement controls to ensure accuracy and completeness of the Schedule of Expenditures of Federal Awards. Management will be aware of all Federal awards received and expended, their source, and their compliance requirements. During the preparation of the schedule, the City will verify with granting agencies all CFDA titles and numbers, and the appropriate pass-through entity to be reported. After the schedule is completed, a reconciliation of the financial statements to the schedule will be performed, and management will review the schedule to verify all known Federal Programs are reported and that expenditures are properly captured on the regulatory basis of accounting. The reconciliation and management's review will be documented.

**Finding 2016-005**

The City will implement controls to ensure accuracy and completeness of encumbrances and journal entries. Additionally, the accounting software setup will be investigated for proper use of purchase orders in correctly reporting encumbrances. Also, encumbrances will be considered when determining budget to actual expenditures throughout the year. The City will regularly monitor unencumbered cash balances in all funds and transfer cash when necessary to funds that do not have adequate cash to meet demands.

**Finding 2016-006**

The City will implement a system of internal controls over compliance that is compliant with Standards for Internal Control in the Federal Government (Green Book), issued by the Comptroller General of the United States, or the Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This would include written internal controls for each federal program, the determination of compliance requirements that have a direct and material effect on federal programs, a risk assessment of the federal programs, and the development of various policies as required by the Uniform Guidance such as the procurement policy, conflict of interest policy, and others as deemed applicable by management.

**Finding 2016-007**

The City will implement a system of internal controls over compliance that is compliant with Standards for Internal Control in the Federal Government (Green Book), issued by the Comptroller General of the United States, or the Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This would include written internal controls for

each federal program, the determination of compliance requirements that have a direct and material effect on federal programs, a risk assessment of the federal programs, and the development of various policies as required by the Uniform Guidance such as the procurement policy, conflict of interest policy, and others as deemed applicable by management.

**Finding 2016-008**

The City will implement a system of internal controls over compliance that is compliant with Standards for Internal Control in the Federal Government (Green Book), issued by the Comptroller General of the United States, or the Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This would include written internal controls for each federal program, the determination of compliance requirements that have a direct and material effect on federal programs, a risk assessment of the federal programs, and the development of various policies as required by the Uniform Guidance such as the procurement policy, conflict of interest policy, and others as deemed applicable by management.