
Corrective Action Plan

FY 2016 Audit

STATUS REPORT

OCTOBER 8, 2018

CITY OF INDEPENDENCE

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

Status Report – October 11, 2018

RED – Denotes October Update

GREEN – Denotes September Update

BLUE – Denotes August Update

General

- Met with new lead auditor from Jarred, Gilmore & Phillips to discuss all findings from the 2016 Audit. This meeting provided guidance to assist in addressing the findings to eliminate the reoccurrence in the upcoming 2017 Audit. **Blue** The new auditors will be onsite September 28-30 to begin their work. **Green** The new auditors arrived early to begin the 2017 audit and were on site August 28-30. **Red** All additional requested information has been provided to the auditors in order for them to complete the 2017 audit.
- Drafted general financial policies and is currently being internally evaluated by city management. **Green** We are making revisions and modifications to the draft policy, specifically to internal controls.
- Drafted Purchasing/Procurement policy and is currently being internally evaluated by city management. **Green** We are making revisions and modifications to the draft policy.

Finding 2016-001 The City will establish a written policy regarding the creation and review of journal entries.

STATUS

- This one is fluid and ongoing; continuing to do journal entries correctly since early 2017 is the major thing going forward. Also, the policies and procedures in the other findings will play a role in this finding as well. **Blue** We will have a written policy in place by the end of October that describes our current procedures.
- **Green** David and Mike along with the new auditors are reviewing and modifying internal controls in the areas to include journal entries, reconciliations, purchasing/payables/encumbrances, accounts receivable/invoicing, and cash control.
- **Red** We have identified and drafted internal control procedures in a variety of areas that are still being evaluated and modified internally. The finalized internal control procedures will be reviewed with the auditors prior to putting into place to ensure they are adequate for

safety and soundness in assessing and minimizing risks. These internal control procedures will be incorporated with a finalized fiscal policy.

Finding 2016-002 The City will implement controls to ensure accuracy and completeness of bank reconciliations.

STATUS

- We have a new reconciliation system in place and have recreated the reconciliations for FY 2017, and for January through July of FY 2018. With David's arrival and working with the new auditors, we are making additional modifications to the new reconciliation system. We have completed applying the additional modifications to the reconciliations and 2017 has been finalized and forwarded to the auditors. This new system will be in place until such time that we can move to a reconciliation within our INCODE accounting system (see below).
- We have held two meetings with the INCODE system representative to discuss, review and evaluate the City's current purchase order and bank reconciliation process, and how to fully implement the accounting platform's capabilities. The discussions so far have focused on the purchase order system. We have scheduled a third meeting to finish our discussion on purchase orders, and then on the reconciliation process.
- Working to schedule a time to meet with a similar size community that uses INCODE'S purchase order and reconciliation processes to review how it utilizes the system in these areas. New auditor provided references and recommended meeting with one or more of the communities.
- David and Mike along with the new auditors are reviewing and modifying internal controls in the areas to include journal entries, reconciliations, purchasing/payables/encumbrances, accounts receivable/invoicing, and cash control.
- Working to schedule a meeting in the next few weeks to meet with the City of Coffeyville to review their use of Incode for purchasing/payables and reconciliations. Following this meeting, a separate meeting with Incode will be made.
- David and Mike met with Coffeyville's Finance Director and Treasurer and reviewed their processes and procedures in handling purchase orders, accounts payable, project accounting, encumbrances and journal entries. During the meeting, many processes were identified that would simplify and strengthen the City's existing processes and address internal control deficiencies. Unfortunately due to time constraints, we were unable to review Coffeyville's reconciliation process. Coffeyville's Finance Director and Mike are working to schedule another on site-on visit to continue the review in October.

- During our meeting with Coffeyville, they referred us to Randy Holler, who is an expert Incode consultant. Mr. Holler works on-site annually with Coffeyville as well as Iola and Caney where he provides system review, improved operation process implementation and training for the use of Incode. Both Coffeyville and Caney have highly recommended using Mr. Holler, who is a trusted advisor to both cities. We have reached out to Mr. Holler to set up an initial call to discuss the issues that we have identified internally and review our Incode financial configuration and processes.

Finding 2016-003 The City will implement controls to ensure accuracy and completeness of encumbrances.

STATUS

- We have held two meetings with the INCODE system representative to discuss, review and evaluate the City's current purchase order and bank reconciliation process, and how to fully implement the accounting platform's capabilities. The discussions so far have focused on the purchase order system. We have scheduled a third meeting to finish our discussion on purchase orders, and then on the reconciliation process.
- Working to schedule a time to meet with a similar size community that uses INCODE'S purchase order and reconciliation processes to review how it utilizes the system in these areas. New auditor provided references and recommended meeting with one or more of the communities.
- David and Mike along with the new auditors are reviewing and modifying internal controls in the areas to include journal entries, reconciliations, purchasing/payables/encumbrances, accounts receivable/invoicing, and cash control.
- We have identified and drafted internal control procedures in a variety of areas that are still being evaluated and modified internally. The finalized internal control procedures will be reviewed with the auditors prior to putting into place to ensure they are adequate for safety and soundness in assessing and minimizing risks. These internal control procedures will be incorporated with a finalized fiscal policy.

Finding 2016-004 The City will implement controls to ensure accuracy and completeness of the Schedule of Expenditures of Federal Awards.

STATUS

- Primary result of finding was that SEFA schedule was not completed and available upon arrival of auditors for 2016 audit. 2017 SEFA is complete. Tracking spreadsheets are in

place to identify and track expenditures to ensure grant funds match federal awards. Also see 2016-006.

Finding 2016-005 The City will implement controls to ensure accuracy and completeness of encumbrances and journal entries.

STATUS

- Analysis of all funds was performed at year end 2017. All budgeted funds were within budgeted statutory authority and all applicable funds in a negative cash balance were properly funded, except where state or federal reimbursement to the City has not been received, in which case would not be a statute violation.

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).

STATUS

- Currently working with outside grant administrator that specializes in federal grants to [review our current](#) policies and procedures over federal grants.
- [We have been provided with a written policy that was previously in place and used by the City's federal grant administrator. These policies and procedures will be incorporated with the City's overall purchasing policy.](#)

Finding 2016-007 & 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).

STATUS

Finding 2016-007

- See 2016-004

Finding 2016-008

- See 2016-006