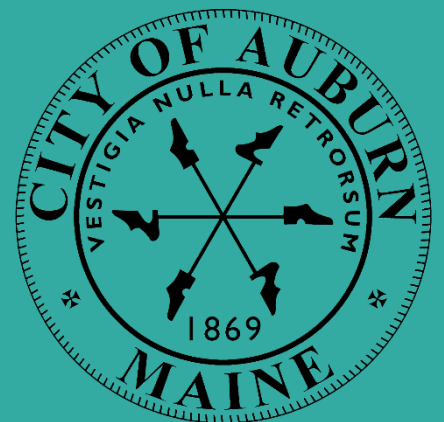

Quarterly Corrective Action Report

February 2025 - Fiscal Year 2023 Audit

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To: Honorable Mayor, Members of the City Council and City Manager
Subject: Fiscal Year 2023 Audit-Quarterly Corrective Action Report- January 2025

The following are recommendations from the audit report for fiscal year ending June 30, 2023, and the current corrective actions taken. This is not an all-inclusive list of the work of staff but serves as an update on specific findings from the aforementioned audit. City and School department staff have responded to their respective findings below.

2023-001 Grant Accounting Software Reconciliation:

Recommendation: All information entered into Munis, Profund, the Mortgage Office software, Microsoft Excel, and IDIS should be reconciled monthly to ensure that financial information and data is consistent across all platforms. Quarterly and year-end financial reporting should be prepared and reconciled to the Munis accounting system and supporting documentation should be maintained on file according to the City's document retention policies. Additionally, daily routines and procedures should be established to ensure coordination between key City and School Department personnel so that all grant requirements and data are communicated and understood.

Corrective Action: City staff have been completing quarterly reporting for funds related to CDBG/HUD funding, this results in timely reimbursements for expenses and allows staff to reconcile with Munis on a quarterly basis. We continue to implement processes to ensure recommendations are worked on.

2023-003 City Accounting Software to School Accounting Software Reconciliation:

Recommendation:

The City and School Department utilize separate accounting software. Since the City and the School Department have separate accounting software, it is essential that reconciliations of all balance sheet, revenue, and expenditure accounts be performed between the School Department's general ledger and the City's general ledger on a monthly basis. This reconciliation should be performed as soon as feasible after month end. It is also crucial that the School Department's activity is appropriately classified on the City's books.

Corrective Action: *The Auburn School Dept (ASD) exports financials for balance sheet, revenue and expenditure accounts monthly for the city staff to import into their accounting software. As of February 12, 2025 the City had received financial data through January 31, 2025. Once the ASD receives trial balances for the City the same or next business day, those are reconciled against the ASD trial balances. Any variances are researched and corrected by the ASD and included in the export file for the next month.*

2023-007 Child Nutrition Cluster supporting documentation and implementation of procedures/policies:

Recommendation: We recommend the School Department establish policies and procedures that ensure the Business Manager has adequate supporting documentation to verify monthly nutrition claims before they are submitted to the State. We also recommend that policies and procedures be established to ensure employees allocating their time to the Fresh Fruit and Vegetable Program complete documentation as required by 2 CFR 200.430(i).

Corrective Action: *The School Nutrition Program has expanded its staff by 0.4 Administrative Assistant. Duties include scanning back-up documents shared with the School Business Manager to cross-check claim data before approving.*

Sole Source Provider Procurement Compliance:

During our testing of American Rescue Plan Act disbursements, we noted that sole source procurements did not contain adequate documentation explaining why competitive bidding or informal vendor quotations for products and service purchases was not feasible. We recommend that procedures be designed to ensure that all levels of procurement are adequately documented, including the rationale for the type of procurement and relevant bid documentation and quotes. Sole source procurements should include documentation supporting the reason a sole source procurement is necessary. This may include situations where the product is proprietary in nature or so custom only one vendor sources it, an emergency procurement is required, or when the buyer's outreach yields only one vendor willing to provide a quote.

Corrective Action: *The purchasing policy is strictly enforced. Staff are required to obtain three quotes for anything under \$25,000 and enter into competitive bidding beyond that. All purchase orders require attached documentation in Munis before being approved.*

Approvals and Supporting Documentation for City Journal Entries:

Upon our review of city journal entries, we noted that several journal entries were not reviewed by anyone other than the employee who prepared them. Additionally, we found that several of the journal entries we reviewed lacked sufficient, appropriate backup documentation. Journal entries can be a way in which management can override their own internal control systems, so it is imperative that journal entries be reviewed and approved by someone other than the preparer. We recommend that someone other than the journal entry preparer review journal entries and supporting documentation. The reviewer should also review journal entries for large and unusual items and sign off on the entries to show approval. Lastly, we recommend that each journal entry completed have documentation sufficient to determine the nature, timing, and extent of the journal being posted.

Corrective Action: *With new staff in place, we have implemented the policy of requiring documentation be attached to journal entries. Documentation must include reason for entry and requires a second staff member to review and sign off on the posting.*

Goals for next quarter: *Address all remaining comments or findings by securing a plan for action or having begun action.*