CITY OF ONEIDA
OFFICE OF THE COMPTROLLER

OSC Audit - Corrective Action Plan
REVISED DRAFT FOR COMMON COUNCIL REVIEW

Background

The Office of the State Comptroller has issued its audit report of the City's bank and receivable reconciliation procedures. The audit includes nine recommendations related to reconciliations, documentation, segregation of duties and independent review.

Several of the discrepancies identified during the audit are longstanding accounting issues. The City has spent years working through records affected by the fraud that occurred in the former Chamberlain's Office, incomplete historical tax and property records, the conversion from the City's former accounting system to Tyler, and prior adjustments that were not consistently reflected in the applicable records.

Because of that history, some of these balances cannot simply be written off or adjusted to make the accounts agree. The City must first determine what caused each difference and ensure that any adjustment is accurate and supported.

The approximately $177,000 property tax receivable issue is an example. A substantially similar unresolved property tax receivable issue had already been identified by the City's independent auditors during the 2023 financial audit. The City is not asserting that the two amounts are necessarily the same, but the prior finding demonstrates that this was a known historical accounting issue that existed before the current OSC audit.

The audit also identified areas where the City needs stronger checks and balances. Limited Finance staffing makes traditional segregation of duties difficult in some areas. The CAP addresses that limitation through Tyler approval controls, independent supervisory review, restricted banking permissions, documented reconciliation procedures and the use of the City's contracted comptroller.

It is also important to note that OSC tested approximately $16.6 million in bank and wire transfers and found that the transactions tested were for appropriate City purposes. The findings concern how accounts are reconciled, documented and independently reviewed.

Corrective Action Plan Focus

- **Historical accounting issues -** Continue researching longstanding balances and make corrections when the cause of a difference can be identified and the correction can be adequately supported.
- **Current internal controls -** Maintain stronger reconciliation, documentation and review procedures so differences are identified and addressed timely rather than carried forward.
- **Staffing and checks and balances -** Use Tyler approval controls, the contracted comptroller and independent supervisory review to create additional checks and balances where limited staffing makes traditional segregation of duties difficult.

The goal of the CAP is to continue resolving historical accounting issues while strengthening internal controls going forward. Historical balances will be corrected when sufficient information exists to support the correction, and recurring procedures will be used to identify and address new differences timely.

Corrective Action Plan - Recommendations and Status

1. Monthly Bank Reconciliations

OSC Recommendation: Ensure complete and accurate monthly bank reconciliations are prepared, appropriately supported and independently reviewed and approved.

City Corrective Action: Bonadio prepares monthly bank reconciliations. Completed reconciliations and supporting documentation are provided to the City Manager for independent review and approval. This provides an additional check despite limited Finance staffing.

Responsible Official(s): Contracted Comptroller (preparation); City Manager (independent review).

Timeframe / Measurement: Completed; ongoing monthly beginning immediately.

Status: IMPLEMENTED

2. Deposits in Transit

OSC Recommendation: Ensure accounting records and bank activity are reviewed to identify the specific deposits in transit that should be reflected in bank reconciliations.

City Corrective Action: The City changed its procedure during the audit process. Chamberlain deposits in transit are individually identified on each bank reconciliation and tracked to confirm that they clear the bank. Differences are researched rather than carried forward as unsupported reconciling amounts.

Responsible Official(s): Chamberlain's Office and Contracted Comptroller; City Manager provides independent review through the monthly reconciliation process.

Timeframe / Measurement: Completed; deposits in transit will be identified and reviewed as part of each monthly bank reconciliation.

Status: IMPLEMENTED

3. Outstanding Checks, Bank Draft Reversals and Other Reconciling Items

OSC Recommendation: Resolve identified bank reconciliation discrepancies, including old bank draft reversals, outstanding checks and journal-entry items.

City Corrective Action: The two journal-entry items totaling $25,665 identified during the audit were corrected. Bonadio and City staff will maintain an item-by-item list of the remaining outstanding checks, payroll-related bank draft reversals and other reconciling differences, including each amount, original date, affected account, available supporting records and current research status. For each item, the bank statement and check or draft history will be compared with the general ledger and, where applicable, payroll records to determine whether it cleared, was reversed, was reissued, remains payable or was recorded incorrectly. The City will document the explanation and supporting records before proposing any entry, void or other disposition. The contracted comptroller will prepare supported corrections, and the City Manager will review them independently before posting. Unresolved items will remain on the exception list for follow-up during subsequent monthly reconciliations.

Responsible Official(s): Contracted Comptroller and appropriate City staff (research and proposed corrections); City Manager (independent review).

Timeframe / Measurement: An itemized exception list will be reviewed and updated at least monthly. Supported corrections will be processed as documentation is verified. Unresolved legacy items will remain on the list and be reviewed during each monthly reconciliation until resolved.

Status: PARTIALLY IMPLEMENTED - TWO JOURNAL-ENTRY ITEMS CORRECTED; REMAINING LEGACY ITEMS UNDER RESEARCH

4. Credit Card Processing

OSC Recommendation: Contact credit-card vendors to understand how payments are processed and identify reports that can be used to reconcile recorded transactions to bank deposits.

City Corrective Action: The City will identify each credit-card processor and the City revenue accounts it serves and obtain available transaction, batch and settlement reports. Payments recorded in the applicable City system will be compared with processor transactions and batch totals and traced to the resulting bank deposit. Refunds, chargebacks, processing fees and timing differences will be separately identified. Bonadio will use a standard monthly worksheet to document these comparisons and retain supporting reports. Unmatched amounts will be assigned for research and carried on an exception list until resolved, with City Manager review of the completed reconciliation.

Responsible Official(s): Contracted Comptroller and affected City departments; City Manager (independent review).

Timeframe / Measurement: Processor-report availability and the standard reconciliation procedure will be finalized within 30 days of Council approval of this CAP. Thereafter, reconciliation will be performed monthly and exceptions tracked until resolved.

Status: PARTIALLY IMPLEMENTED - OBTAINING PROCESSOR REPORTS AND DEVELOPING THE MONTHLY RECONCILIATION

5. Online Banking Access

OSC Recommendation: Limit online banking access and administrative permissions to individuals whose job responsibilities require that access.

City Corrective Action: The City reviewed the contracted comptroller's banking permissions and removed unnecessary authority. The contracted comptroller no longer has the ability to initiate bank transfers or wire payments. Banking permissions will continue to be periodically reviewed, separating accounting responsibilities from the ability to initiate movement of City funds.

Responsible Official(s): City Manager and appropriate banking administrators.

Timeframe / Measurement: Completed. Banking access and administrative permissions will be reviewed at least annually and whenever staffing or job responsibilities change.

Status: IMPLEMENTED

6. Independent Review of Journal Entries

OSC Recommendation: Ensure journal entries are independently reviewed and approved before they are recorded.

City Corrective Action: Bonadio provides the City Manager with a monthly report of journal entries. The City will use Tyler approval controls to require independent approval of manual journal entries before posting.

Responsible Official(s): Contracted Comptroller (preparation); City Manager or authorized independent approver (approval).

Timeframe / Measurement: Completed; independent review will occur before posting of manual journal entries, with monthly reporting to the City Manager.

Status: IMPLEMENTED

7. Receivable Control Account Reconciliations

OSC Recommendation: Establish procedures to periodically reconcile property tax and water and sewer receivable control accounts to detailed customer records and promptly investigate and resolve differences.

City Corrective Action: The City has established a monthly process for the Chamberlain's Office and Water/Sewer personnel to provide detailed receivable reports for comparison with the applicable general ledger accounts. Bonadio will perform the accounting reconciliation, and differences will be returned to the appropriate department for research and correction. Several receivable issues identified during the audit have already been researched and corrected, including the Kenwood Sewer legacy balance and the Water Rents Receivable difference.

Responsible Official(s): Chamberlain's Office and Water/Sewer personnel (detailed reports and research); Contracted Comptroller (reconciliation).

Timeframe / Measurement: Completed; reconciliations will be performed monthly. Identified differences will be assigned for research during the applicable monthly cycle and remain on an exception list until resolved.

Status: IMPLEMENTED

8. Independent Review of Receivable Reconciliations

OSC Recommendation: Establish independent supervisory review of receivable control account reconciliations.

City Corrective Action: Completed receivable reconciliations will be reviewed by the City Manager to confirm they have been completed and that identified differences have been researched and addressed. This provides an independent level of review while working within the City's current staffing structure.

Responsible Official(s): City Manager.

Timeframe / Measurement: Completed; independent review will occur monthly following completion of the receivable reconciliations.

Status: IMPLEMENTED

9. Council-Authorized Adjustments and Write-Offs

OSC Recommendation: Ensure Council-authorized adjustments and write-offs are timely communicated and accurately recorded.

City Corrective Action: Following Council authorization of a financial adjustment or write-off, the City Clerk will provide the adopted Council action and/or applicable minutes to Finance and the Chamberlain's Office. Finance will ensure that the authorized adjustment is recorded in each applicable accounting system or account. As an independent verification, the contracted comptroller will review Council minutes for financial actions requiring accounting entries and confirm that the appropriate entries have been recorded.

Responsible Official(s): City Clerk (communication); Finance/Chamberlain's Office (recording); Contracted Comptroller (independent verification).

Timeframe / Measurement: The City Clerk will transmit the applicable Council action and/or minutes within two business days following the Council meeting. The accounting entry and independent verification will be completed during the applicable monthly accounting/reconciliation cycle.

Status: IMPLEMENTED

Summary

The audit identified two broad issues: longstanding historical accounting anomalies that the City continues to work through and areas where stronger checks and balances are needed going forward. Many historical anomalies are tied to the years of fraud in the former Chamberlain's Office and the accounting and recordkeeping issues left behind. Limited staffing has also made it difficult to have a separate employee handling every step of the City's financial processes.

This Corrective Action Plan addresses both areas. The City will continue using Bonadio to research and correct historical balances when sufficient information exists to support the correction. The City will also use Tyler approval controls, documented monthly reconciliation procedures, restricted banking permissions and independent review to strengthen checks and balances going forward.

The Common Council will review and approve this Corrective Action Plan before submission to the Office of the State Comptroller. Progress under the plan will be reflected through the recurring monthly controls and exception tracking described above.

Approved by the Common Council of the City of Oneida on: _____