

## **FY 2025 Audit – Corrective Action Plan**

### **Condition**

During the FY 2025 audit, the City did not properly accrue certain expenditures incurred prior to fiscal year end. As a result, accounts payable and related expenditures were understated. Audit procedures identified approximately \$6.4 million in liabilities for goods and services received in FY 2025 that were recorded in FY 2026 due to the related invoices being received between October and November 2025.

### **Cause**

The City implemented Workday shortly before fiscal year end. Due to the timing of the system conversion, finance personnel were still becoming familiar with Workday's posting logic, reporting tools, and supplier invoice workflows. This limited familiarity contributed to incomplete identification of accrual-eligible transactions.

### **Effect**

Liabilities and expenditures were understated in the financial statements, resulting in a material weakness in internal control over financial reporting.

### **Corrective Action Plan**

Finance staff identified the underlying posting-logic issue and implemented system corrections at the time of discovery, which is demonstrated by the limited time period affected by the issue. In addition to that remediation, the City is implementing the following corrective actions to further strengthen year-end accrual processes and ensure accurate financial reporting within the Workday environment:

- **Workday-Specific Year-End Closing Checklist Enhancements:** The City will enhance its formal year-end closing checklist. The checklist will include additional required reports, responsible personnel, deadlines, and review processes specific to accounts payable in Workday.
- **Documented Subsequent Disbursements Review:** The City will establish a standardized reconciliation process for subsequent disbursements using Workday's *Supplier Payments* report filtered for payments made within the first 30, 60 and 90 days of the new fiscal year. Staff will review supporting documentation, determine whether goods or services were received prior to year-end, and document accrual decisions. Supervisory approval will be required, and documentation will be retained for audit.
- **Enhanced Supervisory Review of Accrual Journal Entries:** Manager will validate completeness of the subsequent disbursements review, accuracy of accounting dates and worktags, and attachment of supporting documentation.
- **Targeted Workday Training for Finance Personnel:** The City will continue to provide focused training on Workday's supplier invoice lifecycle, accounting date logic, reporting tools used for accrual identification, and journal entry processes. Annual refresher training will be required.

## Responsible Officials for Plan Implementation

- **Sandy Paulos, Director of Finance**

Sandy Paulos

- **Carren Ridge, Accounting & Treasury Manager:** Oversight of corrective action plan and supervisory review.

Carren Ridge

- **Lisa Cole, Accounting Supervisor:** Execution of subsequent disbursements review and cutoff testing.

Lisa Cole

- **Accounting Staff:** Completion of training and performance of year-end tasks.

## Anticipated Completion Date

September 2026