

**Town of Atlantic Beach
Corrective Action Plan
For the Year Ended June 30, 2007**

Section II - Financial Statement Findings

Significant Deficiencies

Finding: 07-1 Financial Reporting

Name of contact person: Sabrina Simpson

Corrective Action Plan: Adequate training of certain Town personnel will be obtained so the Town can more actively assist in the preparation of the financial statements and notes to the financial statements. This will help prevent, detect and correct misstatements in the financial statements. While still working under the premise of not having a trained full-time finance officer, the town intends to outsource the internal controls related to the preparation of the financial statements and notes.

Proposed Completion Date: The Finance Officer and City Councilmember's will begin a process immediately

Finding: 07-2 Segregation of Duties

Name of contact person: Sabrina Simpson

Corrective Action Plan: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls..

Proposed Completion Date: On-going process over at least past six years.

Finding: 07-3 Inventory Valuation

Name of contact person: Sabrina Simpson

Corrective Action Plan: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. Control sheets should be utilized for itemizing inventory assets and should be counted and reconciled more frequently. Inventory schedules should be maintained in a timely manner to ensure accurate records.

Proposed Completion Date: The Town Manager/Finance Officer and the Public Services Director will begin a process immediately.

Town of Atlantic Beach
Corrective Action Plan
For the Year Ended June 30, 2007

Exhibit F-2

Finding: 07-4 Accounting for Building Permits and Cash Collections/Receipts

Name of contact person: Sabrina Simpson

Corrective Action Plan: The duties should be separated as much as possible and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls. The Town should implement an approval process for issuing building permits and for collecting the fees charged for the permits. Duties over this function should be properly segregated.

Proposed Completion Date: The Town Manager/Finance Officer and the Chief Inspector will begin a process immediately.

Finding: 07-5 Fraud Risk Management Program

Name of contact person: Sabrina Simpson

Corrective Action Plan: Assess the Town's vulnerabilities to fraudulent activity and determine whether those exposures could result in material misstatement of the financial statements. Establish a fraud risk plan that identifies fraud risks and take appropriate action to reduce or eliminate the risks. Implement processes, controls and other procedures needed to mitigate identified fraud risks.

Proposed Completion Date: The Finance Officer and City Councilmember's will begin a process immediately.

Finding: 07-6 Non Compliance with NC General Statutes (GS 159-8(a))

Name of contact person: Sabrina Simpson

Corrective Action Plan: Budget amendments should be adopted when revenues received exceed estimated revenues and when projected expenses exceed available funds listed in the budget ordinance by departmental totals.

Proposed Completion Date: The Town Manager/Finance Officer and City Councilmember's will begin a process immediately.

**Town of Atlantic Beach
Corrective Action Plan
For the Year Ended June 30, 2007**

Exhibit F-2

Finding: 07-7 Non Compliance with NC General Statutes

Name of contact person: Sabrina Simpson

Corrective Action Plan: Establish procedures to prevent obligations from being incurred with out proper approvals. Reconcile unencumbered balances against purchase orders prior to submitting purchase orders. Enforce stricter consequences when these controls are disregarded.

Proposed Completion Date: Has been corrected, as of July 2007.

Finding: 07-8 Non Compliance with NC General Statutes (GC 159-31)

Name of contact person: Sabrina Simpson

Corrective Action Plan: The two drug accounts will remain in the custody of the police department. Copies of the financial statements will be provided to the Finance Department upon request and explanations of activity will be provided as required. The third account, the PD petty cash/donation account, will be closed at the end of the 07-08 year and will be incorporated within the Town's budget. For the remainder of the 07-08 year, this account will be handled the same as recommended for the two drug accounts. Though some staff members were not comfortable with the separate checking accounts outside of the central depository account over the years, the bank statements and signature cards have always been reviewed during the audit process by the auditors. Staff comfort levels are raised now with the written open records between PD and finance staff.

Proposed Completion Date: Town staff have discussed and devised a plan which was put into place as soon as we were notified by audit staff that this was unacceptable. This will be corrected within the 08-09 budget.

Finding: 07-9 Non Compliance with NC General Statutes (GS 159-13.2)

Name of contact person: Sabrina Simpson

Town of Atlantic Beach
Corrective Action Plan
For the Year Ended June 30, 2007

Exhibit F-2

Corrective Action Plan: Each year the budget officer should include in the budget information in such detail as he or the governing board may require concerning each grant project (i) expected to be authorized by a project ordinance during the budget year and (ii) authorized by previously adopted project ordinances which will have appropriations available for expenditure during the budget year.

Proposed Completion Date: Town staff have discussed as soon as we were notified by audit staff that this was unacceptable. This will be corrected within the 08-09

Finding: 07-10 Non Compliance with NC General Statutes (GS 136-41.3)

Name of contact person: Sabrina Simpson

Corrective Action Plan: The Town should keep separate accounting of actual Powell bill expenditures, transfer expenditures as budgeted, and reconcile the accounts quarterly.

Proposed Completion Date: Town staff discussed this as soon as it was brought to our attention toward the end of the audit process. Upon comparison of Powell Bill reports and our accounting records, the balances have not been equal since the separate accounting funds were developed. This will be corrected within the 07-08 budget.

Section III - Federal Award Findings and Questioned Costs

None Noted

Section IV - State Award Findings and Questioned Costs

None Noted