City of SHADY COVE
small town, BIG ADVENTURES

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October 6, 2026

Oregon Secretary of State
Audits Division
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Purpose and adoption

The City of Shady Cove submits this corrective action plan in response to the deficiencies identified in the audit for the fiscal year ended June 30, 2024. The supplied draft identifies Sorren CPAs, P.C. as the independent auditor and September 10, 2026, as the audit completion date. Confirm both against the issued report. Council adoption date:

Plan of Action for City of Shady Cove, Oregon

Shady Cove City Council respectfully submits the following corrective action plan in response to deficiencies reported in our audit of fiscal year ended June 30, 2024, the audit was completed by the independent auditing firm Sorren CPA's P.C. and reported the deficiencies listed below. The plan of action was adopted by the members of the governing body at their meeting on November 5th, 2026, it was approved, as indicated by signatures below.

Implementation background

The supplied draft describes delayed audits, staff turnover, and financial reporting weaknesses. It states that the FY2021 and FY2022 audits resulted in disclaimers of opinion, that the FY2023 audit was filed on December 10, 2025, and that the FY2024 audit was completed on September 10, 2026. These dates and outcomes remain subject to verification against the audit reports and filing records.

The City Administrator began work on July 13, 2026. The supplied draft states that a CPA consultant from the Rogue Valley Council of Governments is assisting with financial operations and development of accounting policies and procedures. The City Administrator will coordinate corrective actions, assign staff responsibilities, and report progress to Council. Consultant duties and review responsibilities must be confirmed in the engagement scope.

The supplied draft estimates completion of the FY2025 and FY2026 audits by March 2027. This is a planning target, subject to auditor scheduling and availability of complete, reconciled records. It is not a confirmed completion date or evidence that either audit is complete.

1. Strengthen Controls over Bank Reconciliations

Material weakness; proposed finding order. Confirm exact audit reference.

Deficiency summary

Bank reconciliations were not consistently completed and formally reviewed in a timely manner. The supplied finding recommends monthly preparation and review within 15 to 30 days of month-end and resolution of reconciling items within 45 to 60 days of identification.

Plan of action

1. Inventory every bank and investment account and identify the last reconciled month, unreconciled periods, preparer, and independent reviewer. Maintain a backlog schedule with a target date for each outstanding period.
2. Prepare reconciliations for every account monthly. Tie statement balances to the general ledger and retain statements, reconciliation worksheets, transaction support, and explanations for differences.
3. Require documented review by a qualified person who did not prepare the reconciliation. Separate cash handling and transaction processing from review where staffing permits.
4. Track outstanding items by amount, date, cause, owner, and resolution deadline. Resolve items within 45 to 60 days of identification and escalate overdue items to the City Administrator. Document approval and support for any correcting entry.
5. Provide Council with a monthly summary of account coverage, backlog, overdue items, and unresolved differences.

Responsible parties

Finance staff prepare; CPA consultant or another qualified independent reviewer reviews; City Administrator monitors deadlines and reports exceptions.

Timeframe for implementation

Ongoing monthly preparation and review within 15 to 30 days after month-end. Backlog completion target: March 31, 2027. Within 30 days of adoption, establish the account inventory and period-by-period backlog schedule. The backlog target does not defer current monthly reconciliations.

Evidence of completion

Complete account inventory; reconciliations tied to the general ledger; dated preparer and reviewer sign-offs; aged exception log; supported correcting entries; monthly status reports.

Current status

The supplied draft reports reconciliation work is underway. Completion and account coverage have not been established by the materials reviewed.

2. Maintain a Schedule of Property Additions

Material weakness in supplied text. Confirm exact audit reference and classification.

Deficiency summary

The City needs a schedule of property and equipment additions and retrievable supporting invoices to support year-end accounting and audit review.

Plan of action

Establish a standard additions schedule recording acquisition date, asset description, vendor, amount, fund, general ledger account, asset location, and a reference to the supporting invoice.

Capture new acquisitions as they occur while reconstructing prior-period additions. Do not wait for completion of the historical schedule to record current purchases.

Have the CPA consultant review the schedule against the City's capitalization policy and applicable reporting requirements. Reconcile additions to general ledger expenditures and identify items requiring capitalization or other year-end treatment.

Organize invoices and related approvals in an indexed repository that staff and auditors can retrieve. Assign responsibility for maintaining the schedule and supporting records.

Responsible parties

Finance staff maintain records; CPA consultant reviews accounting treatment and reconciliation; City Administrator assigns ownership and monitors progress.

Timeframe for implementation

Proposed control: begin recording current additions upon adoption. Retain the supplied draft's historical reconstruction target: establish the format and begin data collection by March 31, 2027; complete the schedule and retention process by June 30, 2027. Confirm the covered fiscal years before adoption.

Evidence of completion

Property additions schedule; retrievable invoices; documented reconciliation to the general ledger; review sign-off; list of missing historical records and follow-up actions.

Current status

The supplied draft proposes establishing the schedule. It does not provide a completed schedule or verification of historical coverage.

3. Improve Quality of Financial Reporting

CLASSIFICATION TO VERIFY: tracked edit proposes significant deficiency; original finding text says material weakness. Do not finalize the classification until checked against the issued FY2024 audit.

Deficiency summary

The supplied finding identifies material accounting errors and a lack of formal accounting policies and procedures supporting financial reporting in accordance with U.S. GAAP. The proposed classification change cannot be verified from the CAP alone.

Plan of action

6. Develop and implement written accounting policies and procedures with the CPA consultant. Address month-end and year-end close, bank reconciliations, journal entries, financial reporting, supporting records, review authority, and staff responsibilities.
7. Create a monthly close checklist. Require support and documented approval for journal entries and adjustments. Retain evidence of preparation, review, and resolution of identified errors.
8. Prepare monthly budget-to-actual and fund balance reports tied to the general ledger. Clearly disclose unreconciled balances, pending adjustments, and limitations affecting reliability.
9. Assess staff qualifications and training needs. Assign duties according to competency and provide targeted governmental accounting and system training. Document any staffing or consultant resource needs.
10. Maintain an audit readiness schedule for FY2025 and FY2026. Confirm deliverables and estimated dates with the auditor and report delays and missing support to Council.

Responsible parties

City Administrator owns implementation; finance staff prepare accounting records and reports; CPA consultant assists with procedures, training, and qualified review. Council receives progress reports and approves policies or resources within its authority.

Timeframe for implementation

Proposed milestones: assign responsibilities and approve a close calendar within 30 days of adoption; complete priority procedures and staff training within 90 days; target full documented implementation by March 31, 2027. FY2025 and FY2026 audit completion remains a separate estimate requiring auditor confirmation.

Evidence of completion

Approved procedures; completed close checklists; supported and reviewed journal entries; monthly reports tied to the general ledger; training records; audit readiness schedule; documented review of implementation.

Current status

The supplied draft reports policy development is underway with the CPA consultant. The materials reviewed do not demonstrate full implementation or correction of the finding.

4. Improve Segregation of Accounting Duties

Significant deficiency in supplied text. Confirm exact audit reference.

Deficiency summary

Limited staffing restricts separation of cash custody, accounting records, authorization, and transaction processing. The City must separate duties where feasible and document compensating reviews where full separation is impractical.

Plan of action

11. Prepare a duties and access matrix covering receipts, deposits, purchasing, vendor maintenance, payments, payroll, journal entries, and bank reconciliations. Identify incompatible duties and assign review controls.

12. Define the consultant's review duties and the City Administrator's review duties in writing. A person involved in preparing or processing a transaction must not serve as its sole independent reviewer.
13. Review bank and accounting-system permissions and approval rights. Document authorized access and periodically verify that access matches assigned duties.
14. Retain dated evidence of compensating reviews. Escalate exceptions and resource constraints to the City Administrator and Council as appropriate.

Responsible parties
City Administrator assigns duties and approves the control matrix; finance staff perform assigned functions; CPA consultant or other qualified independent reviewer performs designated reviews.

Timeframe for implementation
The supplied draft states assistance began in July 2026 and is ongoing. Proposed milestones: complete the duties and access matrix within 30 days of adoption; implement documented compensating reviews within 60 days; review effectiveness quarterly.

Evidence of completion
Duties and access matrix; written review assignments; permissions review; transaction and reconciliation review sign-offs; exception log; quarterly assessment.

Current status
The supplied draft reports consultant assistance and management review. The extent and effectiveness of independent review require supporting documentation.

Monitoring and closure
The City Administrator will maintain a corrective action register and provide monthly progress reports to Council until all actions are implemented. Each report will identify the action, owner, deadline, status, supporting evidence, unresolved issues, and next step. An action will not be marked complete solely because a policy was drafted or consultant assistance began. Closure requires evidence of implementation and review of whether the control is operating. Auditor follow-up may be needed to establish whether a reported deficiency has been resolved.

Council adoption and certification
Adopted by the City Council on: _____
Meeting or resolution reference: _____
Authorized signatory name and title: _____
Signature: _____ Date: _____