



STAFF REPORT

Meeting Type: City Council
Meeting Date: January 6, 2025
From: Tyler Deems, City Manager
Subject: Resolution 2025-05: Audit Corrective Action Plan for Fiscal Year 2024

DECISION TO BE MADE:

Whether to adopt the required corrective action plan for the fiscal year June 30, 2024.

BACKGROUND / CONTEXT:

As a result of the annual [financial audit for the period ended June 30, 2024](#), three findings were identified by the City's auditing firm, Talbot, Korvola & Warwick, LLP. The three findings were all classified as "Internal Controls over Financial Reporting." Per ORS 297.466, the City must adopt a "Plan of Action" to address the findings, then submit the plan to the Secretary of State's office within 30 days of the financial statements being issued. The financial statements were issued December 13, 2024.

Findings

Finding 2024-001 is a material weakness in internal controls over financial reporting related to recognition of debt. The cause was related to misunderstanding of recognition timing for loans based on reimbursed expenditures. The result was an overstatement of debt and accounts receivable. The error was corrected prior to the issuance of the financial statements.

Finding 2024-002 is a material weakness in internal controls over financial reporting related to recognition of capital assets. The cause was related to misapplication of Governmental Accounting Standards Board (GASB) Statement 34. The result was an understatement of capital assets and an over statement of expenses. The error was corrected prior to the issuance of the financial statements.

Finding 2024-003 is a significant deficiency in internal controls over financial reporting related to inappropriate vendor changes. The cause was related to insufficient validation that a vendor change request was made by a vendor. The result was payment being made to an incorrect bank account. The payment was subsequently reimbursed to the City.

Plan of Action

Finding 2024-001 – The Finance Department will implement additional internal controls to ensure that total outstanding debt and recognition of loan proceeds are recorded correctly.

Finding 2004-002 – The Finance Department will implement procedures to review Governmental Accounting Standards Board (GASB) guidance, specifically related to capital assets.

Finding 2024-003 – The Finance Department immediately implemented additional internal controls for changes to vendors as soon as this issue was discovered. These controls include confirming requested changes to vendors prior to entering the changes into the financial software. No further action is needed at this time.

Upon adoption of this resolution, the City Manager will submit the adopted resolution to the Secretary of State's office within seven days. This will meet the requirements under ORS 297.466 and finalize the audit and the necessary follow up items for the period ended June 30, 2024.

BUDGET IMPACT:

None.

RECOMMENDATION:

Staff recommends adopting Resolution 2025-05.

SUGGESTED MOTION LANGUAGE:

"I move to adopt Resolution 2025-05, a Resolution Adopting an Audit Corrective Plan of Action for Fiscal Year 2024."

LIST OF ATTACHMENTS / EXHIBITS:

- Resolution 2025-05