



**Department of Finance**

Public Services Building  
2051 Kaen Road, Suite 490 | Oregon City, OR 97045

May 12, 2022

Board of County Commissioners  
Clackamas County

Members of the Board:

A Resolution Acknowledging Expenditures in Excess of Appropriations for Fiscal Year 2021  
and Describing Corrective Action in Accordance with ORS 297.466

Purpose/Outcome	Acknowledgement of an expenditure in excess of appropriation and the omission of a major fund that occurred in Fiscal Year 2021 and description of the corrective action that will be implemented.
Dollar Amount and Fiscal Impact	The dollar amount of each over expenditure is reported in the Annual Comprehensive Financial Report (Annual Report) as part of the Notes to the Basic Financial Statements (Exhibit A).
Funding Source	Varies
Duration	Audits are filed annually. Corrective action to be implemented will be permanent.
Previous Board Action	N/A
Strategic Plan Alignment	This Resolution continues to build public trust as we demonstrate good government by being fiscally responsible for the public's funds.
County Counsel Review	Reviewed and approved by Andrew Naylor on May 2, 2022.
Procurement Review	Was the item processed through Procurement? No, this is a Resolution and it is not required to go through Procurement.
Contact Person	Elizabeth Comfort, Finance Director, 503-936-5345
Contract No.	N/A

**BACKGROUND:**

As part of the annual audit each year, the County's external audit firm reports on compliance with various Oregon statutes. One of these requirements is to report upon compliance with Local Budget Law. Expenditures in excess of authorized appropriations are reported in the Annual Report by fund. Detail of this can be found in the Annual Report as part of the Notes to the Basic Financial Statements. In addition, a Material Weakness was reported of an improperly omitted Fund reported as a Major Fund subject to GAAP. Both of these are discussed in the Auditor's Report on Compliance with Oregon Minimum Standards. For the full 2021 Annual Report, please visit: <https://www.clackamas.us/finance/financearchive.html>.

ORS 297.466 requires within 30 days after filing an annual report with the Secretary of State that the governing body file with the Secretary of State and a plan of action adopted for addressing any deficiencies noted in the audit report. The resolution is to formally acknowledge the over expenditures and describes the corrective actions implemented. Corrective action is commencing now and will continue into the future on a quarterly schedule.

This Resolution has been reviewed and approved by County Counsel.

**RECOMMENDATION:**

Staff respectfully recommends the Board of Clackamas County approve this resolution acknowledging expenditures in excess of appropriations for fiscal year 2021 and describing corrective action in accordance with ORS 297.466.

Respectfully submitted,

Elizabeth Comfort, Finance Director

# EXHIBIT A

## CLACKAMAS COUNTY, OREGON NOTES TO BASIC FINANCIAL STATEMENTS (Continued) YEAR ENDED JUNE 30, 2021

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### New Accounting Pronouncements

During the fiscal year ended June 30, 2021, the County implemented the following GASB pronouncement:

*The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, Fiduciary Activities. This Statement establishes the criteria to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The Statement defines the reporting requirements for such activities. Criteria had to be met in order for funds to be reported as “custodial funds.” The result of the application of these criteria was that several funds previously reported as “agency funds” and “private purpose trust funds” met the criteria, are now reported as “custodial funds.” Beginning net position for the custodial funds has been restated by \$32,682,300 with the implementation of GASB 84. The effect of this restatement reclassified the prior year liability due to other governments of \$32,682,300 to beginning net position.*

### 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### Budgetary Information

Annual budgets are adopted on a basis consistent with ORS 294 – Local Budget Law and accounting principles generally accepted in the United States of America. All annual appropriations lapse at fiscal year-end.

The following fund had excess expenditures over appropriations for the fiscal year-end:

<u>Fund</u>	<u>Amount</u>
Health Centers Fund	
Health and Human Services	\$ 299,928



May 12, 2022

Oregon Secretary of State,  
Audits Division  
255 Capitol St. NE, Suite  
#500 Salem, OR 97310

**Plan of Action for Clackamas County**

Clackamas County respectfully submits the following corrective action plan in response to deficiencies reported in our audit of fiscal year ended June 30, 2021. The audit was completed by the independent auditing firm Moss Adams and reported the deficiencies listed below. The plan of action was adopted by the governing body at their meeting on May 12, 2022, as indicated by signatures below.

The deficiencies are listed below, including the adopted plan of action and timeframe for each.

1. Deficiency #1
  - a. Instance of non-compliance related to excess expenditures over appropriations
  - b. All Clackamas County Departments will perform a monthly analysis to review and evaluate expenditures incurred to date compared to the total final adopted budget. Any over-expenditure attempt will be analyzed, discussed with the Department of Finance's Budget Office and evaluated for further corrective measures.
  - c. As of July 1, 2021 the ERP financial system has an error flag preventing any expenditure attempting to exceed budget appropriation to ensure compliance.
2. Deficiency #2
  - a. Material Weakness: The County improperly omitted the Social Services Fund from major fund reporting in its basic fund financial statements. Auditor recommendation is the County update their calculation in accordance with generally accepted accounting principles. And further recommend
  - b. The calculation will be reviewed to ensure major funds are appropriately identified and reported in the County's basic financial statements.
  - c. The County will institute the appropriate review in the following reporting periods

\_\_\_\_\_  
Governing Body Chair, Tootie Smith

\_\_\_\_\_  
Signature

\_\_\_\_\_  
County Administrator, Gary Schmidt

\_\_\_\_\_  
Signature

**BEFORE THE BOARD OF COUNTY COMMISSIONERS  
OF CLACKAMAS COUNTY, STATE OF OREGON**

A Resolution Acknowledging  
Expenditures in Excess of  
Appropriations for Fiscal Year 2021 and  
Omission of Reporting a Major Fund  
and Describing Corrective Action in  
Accordance with ORS 297.466



Resolution No. \_\_\_\_\_  
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**WHEREAS**, Clackamas County’s Comprehensive Annual Financial Report “(Annual Report)” for the fiscal year ending June 30, 2021 reports one expenditure in excess of appropriations; and

**WHEREAS**, Oregon Local Budget Law does not allow the expenditure of monies beyond the legal appropriation authority; and

**WHEREAS**, Clackamas County’s Comprehensive Annual Financial Report “(Annual Report)” for the fiscal year ending June 30, 2021 improperly omitted the Social Services Fund from major fund reporting in its basic fund financial statements; and

**WHEREAS**, The Fund was reported as a non-major special revenue fund, rather than a major fund; and

**WHEREAS**, ORS 297.466(2) requires the governing body of Clackamas County to determine measures considered necessary for corrective actions and a period of time estimated to complete them; and

**WHEREAS**, ORS 297.466(3) requires Clackamas County to submit an adopted resolution of corrective measures to the Secretary of State’s Office within 30 days from the submission of Clackamas County’s CAFR to the Secretary of State; and

**NOW, THEREFORE, BE IT RESOLVED** that in order to ensure current and future compliance with the Oregon Local Budget Law, all Clackamas County Departments will perform a monthly analysis to review and evaluate expenditures incurred to date compared to the total final adopted budget. As of July 1, 2021 the ERP financial system has an error flag preventing any expenditure attempting to exceed budget appropriation. Any over-expenditure attempt will be analyzed, discussed with the Department of Finance’s Budget Office, and evaluated for further corrective measures. Clackamas County will update its major fund calculation in accordance with generally accepted accounting principles and review to ensure major funds are appropriately identified and reported in Clackamas County’s basic financial statements.

**BEFORE THE BOARD OF COUNTY COMMISSIONERS  
OF CLACKAMAS COUNTY, STATE OF OREGON**

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Resolution No. \_\_\_\_\_  
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**NOW, THEREFORE, BE IT FURTHER RESOLVED** that in order to ensure current and future compliance with the Oregon Local Budget Law and generally accepted accounting principles, and to create additional internal controls for compliance with the same, Clackamas County has implemented the procedures outlined above as of summer of 2021 and will institute the appropriate review in the following reporting periods.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2022.

BOARD OF COUNTY COMMISSIONERS

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Recording Secretary

# COVER SHEET

- New Agreement/Contract
- Amendment/Change/Extension to \_\_\_\_\_
- Other Resolution

Originating County Department: Finance

Other party to contract/agreement: \_\_\_\_\_

Description:

Approval of a Resolution Acknowledging Expenditures in Excess of Appropriations for Fiscal Year 2021 and Describing Corrective Action in Accordance with ORS 297.466

After recording please return to: Finance

If applicable, complete the following: \_\_\_\_\_

Board Agenda Date: \_\_\_\_\_

Agenda Item Number: \_\_\_\_\_