

# Clackamas County Audit Committee - Minutes

July 12, 2023, 1:30PM (*recorded*<sup>1</sup>)

**Committee Present:** Tootie Smith, Clackamas County Chair  
Mark Shull, Clackamas County Commissioner  
Stephen Madkour, Legal Counsel – arrived 1:40pm  
Dan Johnson, Director, Transportation & Development  
Sue Hildick, Director, Public Government Affairs

**Committee Absent:** Samuel Scull, Public Member  
Kenny Sernach, Public Member, County Budget Committee Liaison

## Committee

**Staff:** Elizabeth Comfort, Director, Finance  
Patrick Williams, Deputy Finance Director  
Sue Unger, Accounting Manager  
Joseph Rosevear, Grant Manager

## Additional

**Attendees:** Gary Schmidt, County Administrator  
Kevin Mullerleile, Moss Adams  
Ashley Osten, Moss Adams  
Leila Annen, Moss Adams  
Linu Parappilly, TS Director  
Keelan Cleary, TS Deputy Director

**Meeting began at approximately 1:34PM**

## Introductions

Chair Smith opened the meeting and the attendees introduced themselves.

## Approval of the Previous Meeting Minutes

- November 2, 2022 (included in meeting invitation & sent out with the agenda)

Mr. Shull made a motion to approve the minutes. Seconded by Mr. Johnson, the motion was unanimously passed by 4 attending members. Minutes were not approved because there wasn't a quorum due to Mr. Madkour arriving after the motion. Minutes will be presented for approval at the next meeting.

Chair Smith opened the meeting for community comment. There were none attending.

## Clackamas County Audit Fiscal Year 2021-2022 – Moss Adams

Ms. Osten shared a prepared presentation regarding audit results for FY21-22. She is the engagement reviewer. She introduced the Moss Adams team and outlined their responsibilities on the audit. Report of independent auditors issued an unmodified opinion was issued in April and an additional opinion on Oregon minimum standards and whether we met those specific requirements which was also a clean opinion with no control or compliance findings identified. No budget over expenditures were reported.

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### **Single Audit Finding (page 19 of FY22 Single Audit 6-30-2022)**

Ms. Osten continued the presentation regarding the FY21-22 Single Audit. The County receives and spends more than \$750,000 in Federal funding. The report on single audit on major federal programs has one significant deficiency in internal controls over compliance where a report was issued late without proof of an extension from US Treasury. In this type of engagement they were required to report it as a significant deficiency.

The single audit tested 5 major programs totaling about \$79.2 million. (See audit presentation materials.) The single audit was issued June 29<sup>th</sup>.

Mr. Mullerleile spoke on the requirements and responsibilities of auditors under GAAP and Government Auditing Standards. The planned scope and timing of the audit was adjusted in December 2022. An extension was requested from the State to issue by mid-April and was completed and issued on April 10<sup>th</sup>, so the approved extension was met. There were no unusual transactions to report. A big change this Fiscal Year was the implementation of GASB 87 on leases and DebtBook was implemented to assist with lease management. Management did a great job implementing this. There were a lot of changes to the major funds due to the new chart of accounts. Regarding Management judgements & Accounting estimates, OPEB pension liabilities require a lot of estimates when coming up with PERS liability for State and Agencies. No questions with the estimates that management made. No difficulties in performing the audit this year. No audit adjustments which would be a material number that management would need to correct. One adjustment was identified that wasn't material but is presented related to investments where the County did not report certain investments at fair value, instead they were posted at book value. \$7.7 million was in government activities and \$1.6 million in business type or enterprise funds. They also worked with County Counsel regarding legal matters and if anything needs to be disclosed, if a liability and needs to be called out on financial statement. There was nothing. There were no disagreements with management.

Ms. Comfort asked Moss Adams to expand on what significant deficiencies are vs. material weaknesses and what we should be watching for when we receive these. Mr. Mullerleile said that in either case they need to be actions identified and corrected. Significant means that it is important enough to present to the committee but not be elevated to a material weakness. If it relates to compliance, there isn't necessarily a dollar amount, but the number of occurrences is considered. If it is 5 or more for a particular federal programs expenditure that would probably be considered material. If there are only 1 or 2 instances, it would be considered significant deficiency so wasn't material but was important enough to report to the committee. Chair Smith asked in there are controls in place to avoid this happening again. Ms. Comfort said that Finance is working on a process with Grants to track and report on grants communication specifically regarding extensions in the case of the significant deficiency over compliance for the Emergency Rental Assistance Program. Central Finance is getting more involved with departments and divisions to maintain the documentation on every grant that requires it.

Dan Johnson had a request regarding capital assets discussions between departments and Finance on enhanced education on depreciation, etc. Educating more staff regarding capital assets and having a more standardized process. Ms. Comfort stated that there is a capital asset function in PeopleSoft that Finance will be implementing. Finance can do a Q&A on how we are going to roll out this feature regarding capital asset tracking.

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Ms. Osten spoke regarding best practice recommendations items that were communicated in a prior year or identified in the current year. All prior year items have been resolved. Last year a specific fund was identified that should have been reported as a major fund that Moss Adams identified and then this was corrected. There was also an instance of land that had been purchased that was misclassified. It wasn't material to the financial statements, more of a best practice recommendation around property classification and making sure they are in the appropriate bucket. There is one comment that has been ongoing the last several years about drafting timely financial statements. We are considering this resolved because State extensions were properly applied for and met. If ongoing incremental progress is made to meet the Dec. 31 deadline, then that is considered met.

New recommendations regarding communications between Treasurers and Finance and unidentified reconciliations. Ms. Comfort stated that regular meetings between Brian Nava, Treasurer and Finance have been established to improve communications. There are weekly audit check in meetings as well. This will help with timely communication and reconciliation of these reports.

Ms. Osten spoke to the recommendation regarding maintaining documentation of grant reporting compliance, including the history of when reports are submitted to ensure an appropriate audit trail. This is a unique reporting item because some requirements were changed part way through, and it was very confusing. That this was the only significant deficiency is very good. There was a lot of Covid funding that came to the County with a lot of differing requirements so we don't want to downplay a significant deficiency but also Federal agencies are looking at continuing deficiencies in the same program year after year with no change. In this instance it seems unlikely to reoccur and has been the only one over the last number of years. This shouldn't impact the County in the short term.

Mr. Mullerleile stated that there was no evidence of the County consulting with any other accountants on matters that would impact the audit, there were no other significant written communications besides the required management representation letter and no fraud or non-compliance that needed to be reported.

Ms. Annen spoke regarding the TS debrief memo and recommendations. The scope of this work included PeopleSoft Financial, PeopleSoft HR & Ascend (used for taxation purposes). This work was performed between July and August 2022 and testing was done until the end of Oct. 2022 making sure that their information was correct and accurate. The exit meeting was April 11, 2023.

There is an internal control deficiency regarding change management, there isn't a lot of proactive review of changes in the systems regarding which people have access to systems and can make changes in production. There needs to be a monitoring control and TS is working on implementing that review of that activity. The proactive review was new in 2022 as Moss Adams worked with the County on understanding the restriction of development access is not going to happen and brainstorming alternatives. Chair Smith asked for clarification on what this means. Ms. Annen explained in less technical terms what the applications do, specifically PSFS and PSHR. There are 3 types of applications, one hosted by the vendor that the County doesn't touch, one is applications hosted by the County but very similar to the first and then the third type where the County is actively making changes to the functionality. PSFS and PSHR are the third option. This means users within the County can make changes to how a calculation is done for the entire system. The goal is to either limit this for some users or to have a proactive monitoring system in place to review development before it is put into production. Ms. Comfort

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directed the committee to the IT review updates with the improvements laid out towards addressing these issues. Chair Smith had a question about the systems speaking to each other. Ms. Annen stated that some do and some don't and it is not required that they do. Sometimes systems can't speak to one another, and manual entry is the best option. Chair Smith asked if the systems speaking to each other is a goal to work toward. Ms. Annen stated that this isn't an audit goal. Ms. Comfort stated that this would be a good long-term goal if our systems and programs could work that way. There are shortcuts for manual entry, and it is not all transaction-by-transaction entries.

There were some access issues where a person was termed but did not have their access removed. The control didn't work but no audit exposure issue occurred. PSFS issues were identified, and solutions have been partially implemented, and they are still working on that.

Ms. Osten presented new reporting statements for FY22-23. GASB 91 surrounding conduit debt obligation is not expected to affect the County significantly. GASB 94 is if the County has any sort of partnership with public-private and public-public partnership and availability payment arrangements. It very technical and it will take some review around contracts to see if it impacts the County. We are keeping an eye on this to see if there is an impact for the County. GASB 96 is very similar to 87 relating to software if we are paying a subscription, it will be recorded as a subscription-based information technology arrangements. DebtBook should allow for compliance with this standard, but Finance will need to analyze this to determine if there are any longer-term IT arrangements being paid for.

Mr. Shull asked for clarification on scope and results 2022 slide under internal control deficiencies under security and access deficiencies and asked Ms. Parappilly if she was comfortable with corrective actions as of today and in agreement on that. Ms. Parappilly confirmed that she agrees, and they are actively working on solutions.

### **Independent Auditor Contract Update**

Ms. Comfort stated that there were two extensions on the last auditor RFP with Moss Adams contract but that there was a new solicitation this year and Moss Adams submitted their RFP proposal and were the only submission. The County is large and complex involving a lot of component units and the large County audit, and the procurement process was followed through all the appropriate steps. A committee reviewed to make sure they were comfortable with the proposal and they unanimously approved the new Moss Adams contract for 2023-2027. The contract is signed and in place. We anticipate the audit process will be much smoother in the future with the new chart of accounts.

### **Audit Schedule for fiscal year ending June 30, 2023**

Ms. Comfort has postponed this discussion until the August 9<sup>th</sup> at 2pm committee meeting.

### **Audit Committee Membership**

There are 2 vacancies and 3 applications. Mr. Kam has applied for the vacancy due to his expired term and there are 2 other applicants. Mr. Schmidt will take these to the BCC at the Issues meeting on Tuesday August 1st for next steps.

### **Other Items**

The next committee meeting is August 9<sup>th</sup>.

Ms. Hildick had a process question about presenting audit findings to the BCC to discuss before the Audit Committee. She feels like it might have been helpful for the audit committee to review

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in advance. Mr. Schmidt answered that the BCC always hears first and because there was a weakness finding, even though it was low risk, he felt they should hear it first.

Chair Smith opened for other items of discussion. None was brought up. She thanked the committee and Moss Adams for their work.

**Meeting Adjourned at 2:31pm**