

AGENDA

Clackamas County Audit Committee

August 9, 2023, 2:00PM (recorded¹)

Zoom Meeting ID:

<https://clackamascounty.zoom.us/j/88281304325>

Committee: Tootie Smith, Clackamas County Chair
Mark Shull, Clackamas County Commissioner
Stephen Madkour, Legal Counsel
Dan Johnson, Director, Transportation & Development
Sue Hildick, Director, Public Government Affairs
Josh Kam, Public Member
Scott Johnson, Public Member
Michael Osborne, Public Member
Kenny Sernacht, 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

Agenda

1. Introductions:
 - New members: Michael Osborne, Scott Johnson
2. Approval of November 2, 2022 (page 2) and July 12, 2023 (page 7) meeting minutes
3. Clackamas County Audit Planning for Fiscal Year 2022-2023 (page 12)
 - Audit preparation schedule (page 29)
4. Open for Other Items
5. Adjourn

The Audit Committee meets several times a year, with independent auditors, to assist in planning and reviewing results of the audits; as well as recommending a course of action to staff and/or the Board of County Commissioners. The Committee also provides review and independent oversight of the County's financial reporting processes, internal controls and independent auditors.

¹Recordings will be saved for one year from the meeting date and will be provided upon request.

Clackamas County Audit Committee - Minutes

November 2, 2022, 2:00PM (*recorded*¹)

Committee: Tootie Smith, Clackamas County Chair
Martha Schrader, Clackamas County Commissioner
Stephen Madkour, Legal Counsel
Dan Johnson, Director, Transportation & Development - absent
Sue Hildick, Director, Public Government Affairs
Josh Kam, Public Member, Financial Reporting Manager, City of Beaverton
Samuel Scull, Public Member - absent
Kathy Taylor, Public Member
Kenny Sernach, Public Member, County Budget Committee

Committee

Staff: Elizabeth Comfort, Director, Finance
Patrick Williams, Deputy Finance Director
Ed Johnson, 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

Meeting began at approximately 2:01pm

Introductions

Chair Smith opened the meeting and the attendees introduced themselves.

Approval of the Previous Meeting Minutes

- April 25, 2022 (included in meeting invitation & sent out with the agenda)

Mr. Kam made a motion to approve the minutes with an amendment to correct the date to April 25th from the 26th and correct the spelling of Mr. Sernach's name. Seconded by Mr. Sernach, the motion passed with 7 out of 7 voting members present and 6 in favor, one abstention.

Clackamas County Audit Fiscal Year 2021-2022

Ms. Comfort to discuss several issues in relation to the completion of the FY22 audit. There are several issues with the close of FY22 so we will ask for an extension to January 31st. The Secretary of the State has been notified and they understand the need. Moss Adams will submit on the County's behalf, per Ms. Osten, in the middle of December. These are done as close to year end as possible so there is a more accurate idea of how long we need an extension for. Chair Smith asked if we need to vote on extension and Mr. Madkour said that was not necessary. Chair Smith has approved requesting an extension. Ms. Comfort thanked Chair Smith for her understanding.

Ms. Comfort directed the group to view page 2 of the meeting agenda to see a calendar of audits done by Clackamas County include the districts and related entities outside of the main County audit. We have several audits that we complete for the County and Component Units

and HACC. Component Units are sub organizations under the umbrella of this County. These include our Lighting District, Library District, Law Enforcement District, our Extension Services District which partners with OSU College and the North Clackamas Parks & Recreation District, and the Water Environment Services District. Each of those books have to be completely closed and audited prior to the completion of the Clackamas County audit in order to include the district information in the financials.

Enhanced Law Enforcement District and Library Service District are completed, and the management letters were included in the materials sent out earlier, the EXTSD and LIBSD should be closing tomorrow Nov. 3, 2022; Mr. Mullerleile was asked for confirmation and said that is correct and they should be clean audits with unmodified opinions.

Single Audit Fiscal Year 2021-2022

Mr. Rosevear, Grants Manager, shared about some of the work the Grants team does feeding into our year end close and audit process. He spoke about the role of Grants related to financial management support for a Departments Grant reporting, and fiscal oversight of sub recipient monitoring. The preparation of the schedule of expenditures of Federal awards (SEFA) is a key process for our Grants team. The SEFA contains expenditures of Federal awards, including amounts that we passed through to sub recipient. It summarizes the Federal awards, supporting the auditors work as far as planning and conducting the single audit, and then it also provides assurance to agencies that the financial assistance programs and the awards we received have been audited. One of the key elements the Grants team does related to the SEFA preparation is the Grant Activity Schedules. They are internal spreadsheets that we use to reconcile department activity, including the grants they receive to our trial balance amounts. The Grant Activity Schedule supports our fund balance classification process at year-end which is another key process.

He also highlighted our focus internally around internal controls related to the SEFA process which is a key component of both the Grants team as well as our Finance team in that process.

Some highlights from our FY21 SEFA by source of funding: around 76 million dollars was direct from Federal agencies. We also report program income related to the Federal programs, about 63 million dollars has federally originating funds related to either State agencies, cities, non-profits, or other sources.

Another way to look at the SEFA is by agency that we can consider. About 54 million dollars of the FY21 amounts reported related to the United States Department of Health and Human services, and that included about 35 million dollars related to program income from our health centers. The next agency that is a significant portion of the SEFA is the United States Department of Housing and Urban Development. That represented around 31 million, a significant component of that relates to loans receivable around the Community Development block grants and then the US Treasury. Our FY21 report also includes significant amounts related to emergency rental assistance, the coronavirus relief funds. We'll begin to see the ARPA state and local fiscal recovery funds as part of FY22.

By agency, this provides a good snapshot of some of the funding sources. Also, by activity, some of these were to different components such as loans related to Federal funding. Those were about 38 million of the total SEFA. 139 million dollars in total for FY21, so about 38 million related to loans with Federal funding, about 36 million related to program income and about 65

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million was other Federal expenditures. The SEFA reflects money that is passed through to sub recipients to support other work in the community.

Chair Smith noted that Mr. Williams had joined the meeting. Ms. Comfort said that Mr. Williams will be audio only and will be sharing in a few moments. Chair Smith also acknowledged that Ms. Taylor is also in the meeting. Mr. Rosevear highlighted the manual process that's involved in collecting this information. We are actively working with our Finance System Support team to develop some ways of capturing some of the information in our accounting system and being able to automate some of the process for generating this, gathering contract information, gathering agencies that everything relates to, assistance listing numbers that we need to list on the SEFA. That's an important aspect to highlight going forward that Mr. Williams will share later about some of the challenges we've had as far as conversion of activity with our chart of accounts, from the old chart of accounts to the new chart of accounts, and the last point to highlight is the Grants team focuses around expanding our capacity, serving our internal departments and divisions. We've had a lot of transitions over the last year in our Grants team. We have five a Grant accountant team, one currently vacant. One has been with us seven years, and then Mr. Rosevear has been with the team a little over a year and joined as the Grants Manager in May of this year, and then our other three Grant accountants are all six months or less with our team which highlights some transitions we have had as a team in the last year. Some of the transitions are positive in having new eyes as we're working through things and new questions being asked but also recognizing some of the institutional knowledge being lost as individuals retire from the team or transition to other opportunities.

Ms. Comfort thanked Mr. Rosevear and stated she wanted you to hear from him because he has done an outstanding job and work with our Grants team as well as single handedly doing our ARPA reporting, which is enormous on its own, in addition to all our grants. We just submitted the third quarter ARPA reporting for Calendar Year 2022 on Monday. We heard the dollars that go through our grants, and that's important, if you take away anything, those dollars all run through all of Finance via contracts or procurement and they run through our AP which is paying all those invoices, and our AR is receiving those funds. Grants is a huge participant and player in the Finance team and partner with all the county departments. There's a lot of great work that runs through Joseph's team.

Finance Management Comments and Updates

Ms. Comfort shared an RFP for our new audit contract will go out in January 2023. Moss Adams has agreed to us putting this RFP out despite the FY22 audit not being complete so that a new contract can be in place before work has to being on the FY23 audit.

Mr. Johnson spoke about the Government Accounting Standards Board GASB 87, a new requirement for lease accounting. County Finance has worked very closely with County departments and County component units to make sure that government entities are counting for certain lease assets and liabilities. The County is both a lessor and a lessee. During this process we were able to report on 26 leases that met the standard, there are 43 in total. This new standard took effect for FY22 and it will be ongoing. We had a total of a little over 3.1 million dollars in lease liabilities and 1.9 million dollars in lease receivables.

Mr. Johnson transitioned to GASB 96 which is a new standard to implement for FY23. This is Subscription Based Information Technology Arrangements or SBITA's. GASB 96 requires government entities to account for and report on subscription based information technology arrangements, such as PeopleSoft, which is an enterprise system, and we have DebtBook

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which is actually supporting us with our implementation, and other software that we have throughout the county, such as OCHIN/Epic that Health Centers uses. Mr. Johnson is going to be reaching out to our new TS director, Linu, to partner with them.

Mr. Williams reviewed the transition to the new chart of accounts conversion clean up. The County converted to a new chart of accounts July 2021. A chart of accounts is an index of all the financial accounts in an organization broken down into two primary categories. The first category identifies funds, departments, and programs, and component units, and the second category identifies expenses, revenues, assets, and liabilities connected to these funds, departments, and programs. When we did this conversion, from eight separate and distinct chart of accounts to one, which was a very big undertaking, it involved a lot of moving parts and had a lot of impacts. But it was not a fruitless endeavor. We also condensed several funds into a more manageable number, 88 to 42.

Because of the complexity of the transition funds, lines of businesses and programs are balanced at a macro level. Closing this FY, we're balancing everything at a micro level which is including tens of thousands of accounting transactions that will lead to cleaner and more manageable accounting processes moving forward. We had built crosswalks to avoid having to do these micro transactions, but they were unable to cover everything. For example, our component units have separate bank accounts, so when expenses and revenues are moved between them and the County, an extra layer of transactions are required. Lastly, conversions like this are a process. They're not in events. In this case it was a two-year process we are hoping and fully expecting, which is, to my understanding and experience, the standard for these types of organizational changes.

Mr. Williams transitioned to the next topic on the agenda and briefly discussed that we're in the process of implementing an account receivable and billing module in PeopleSoft. The module will allow us to record, recognize, and report our revenues more effectively. Our planned completion date is before the end of this fiscal year. Which will benefit Finance and every other department and component unit around the County.

Mr. Williams introduced the next topic on the agenda which is period close vision. Period Close is used to make it easier for an organization to organize their financial records and allow comparisons between different time periods on a month-to-month basis. It's been the Department of Finance's long-term vision to close accounting periods monthly, but a foundation needed to be built and the chart of account conversion was a keystone to allow us to move forward with the County period close process.

The benefits of a monthly close include balanced expense, revenue, and assets by accounts. The identification and timely correction of errors more accurate for grant and other financial reporting. Closing the financial ledger for a time period would save significant work when closing the fiscal year, and ultimately more timely, accurate and transparent financials. We are moving forward with this project. We've made a lot of progress. Our goal is to implement it fully the beginning of next fiscal year, and actually starting a practice the last quarter of this fiscal year in April, May and June. This involves a lot of different components, not only expenses and revenues, but internal service billings, and cash from Treasury. The goal is to capture the expenses and revenues when they're incurred and earned and capture in this period, close up the period, and move on.

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Ms. Comfort spoke on the last agenda item relating to a Capital Asset Policy and Procedure. One of our requirements for last fiscal year, as of June 30 was to have a Capital Assets Policy, and our Board of County Commissioners did approve a policy. Prior we only had a paragraph in our ACFR that was about capital assets. We now we have an official policy, and we're currently working with our procedures to line up with how our departments are treating out assets and how are we recording them. Mr. Williams is leading that with our General Ledger team and Finance to get those procedures lined up and documented. Then we'll be bringing those back to the BCC to also review and approve for us.

Ms. Comfort stated that she went through the minutes from last meeting to make sure that we're identifying and following up on everything that needs to be, and one other case that we talked about at the last audit committee meeting was a new staff member to help guide and team lead the preparation for the audit and our effort. We have been unsuccessful so far in finding someone. We've learned that Multnomah County has had that position open for about 24 months. It's a very specialized role. Someone that really loves putting these together big project, big puzzle, and we've not uh identified someone yet for that. We have not given up but we do have internal staff that are working well together to put these reports together. Ms. Comfort turned the meeting back over to Chair Smith.

Chair Smith asked if there are any comments or questions. Mr. Schmidt thanked Finance staff for reinvigorating the systems and processes in Finance. Commissioner Smith asked if there were any questions from Moss Adams and thanked them for their presence.

Moss Adams Team available for Q & A

There were no questions for Moss Adams. Ms. Osten stated that there was nothing from Moss Adams to present.

Audit Preparation Schedule

	Trial Bal	Draft Financials	Audit Work	Issuance
EX4H	8/8/2022	9/1/2022	9/6 - 9/9	11/4/2022
ELED	8/10/2022	9/1/2022	9/6 - 9/9	Done
LBSD	8/11/2022	9/1/2022	9/6 - 9/9	Done
SDN5	8/9/2022	9/1/2022	9/6 - 9/9	11/4/2022
CCDA	9/30/2022	11/3/2022	11/7-11/23	11/30/2022
NCPRD	9/12/2022	9/30/2022	10/10 - 10/14	11/4/2022
HACC	Mid October	End October	10/14 -10/31	11/21/2022
WES	10/21/2022	Early November	10/17 - 10/21	11/20/2022
County	11/10/2022	1/3/2023	1/3-1/25/23	1/31/2023

Meeting Adjourned at 2:40pm

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Clackamas County Audit Committee - Minutes

July 12, 2023, 1:30PM (*recorded*¹)

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 29th.

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 10th, 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 9th 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 9th.

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.

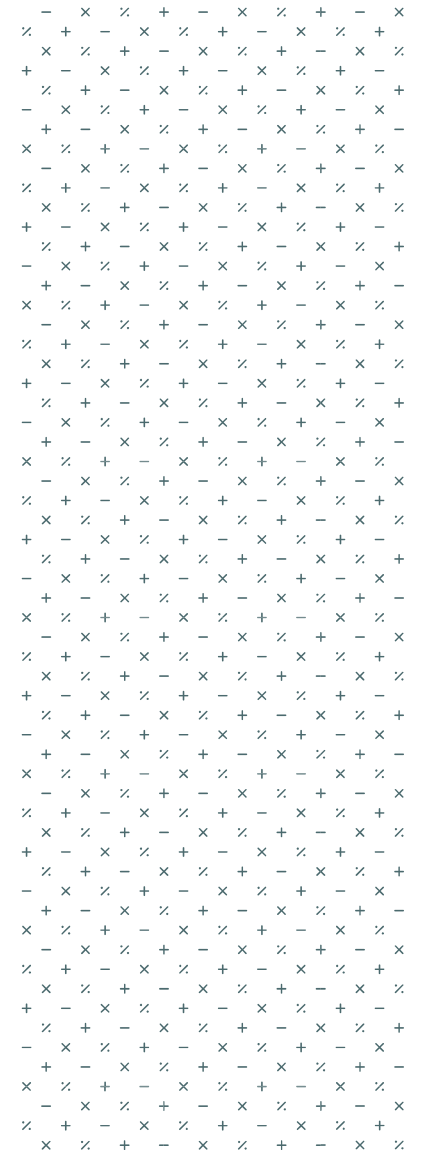
Chair Smith opened for other items of discussion. None was brought up. She thanked the committee and Moss Adams for their work.

Meeting Adjourned at 2:31pm



Audit Entrance

Better Together: Moss Adams & Clackamas County



Audit Committee Members

Dear Audit Committee Members:

Thank you for your continued engagement of Moss Adams LLP, the provider of choice for governmental organizations. We're pleased to present our audit plan for Clackamas County for the year ending June 30, 2023. We'd also like to discuss current-year developments and new accounting standards that will affect our audit.

We welcome any questions or input you may have regarding our audit plan, and we look forward to working with you.



Your Dedicated Team



Ashley Osten
*Engagement
Reviewer and
Partner*



**Amanda
McCleary-Moore**
*Concurring
Reviewer and
Partner*



**Kevin
Mullerleile**
*Senior Manager
and Delegated
Engagement
Reviewer*



Leila Annen
*Senior Manager,
IT Consulting Group*



Required Communications to Those Charged with Governance



Our Responsibilities

Assess if the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit doesn't relieve you or management of your responsibilities.

Perform an audit in accordance with:

- Generally accepted auditing standards issued by the AICPA
- *Government Auditing Standards* issued by the Comptroller General of the United States

Design the audit to provide assurance about whether the financial statements are free of material misstatement.

Consider internal controls over financial reporting and compliance as a basis for designing effective audit procedures.

Communicate findings that are relevant to your responsibilities in overseeing the specific matters of the financial reporting process and administering federal awards.

When applicable, communicate particular matters required by law or regulation, by agreement with you, or by other requirements applicable to the engagement.



Audit Process



Internal Controls

- Includes walkthroughs and testing of key controls over significant accounting cycles
- Includes information technology



Analytical Procedures

- Revenue and expenses
- Trends, comparisons, and expectations



Substantive Procedures

- Confirm account balances
- Vouch to supporting documentation
- Representations from attorneys and management
- Examine objective evidence



What's Materiality?

It's the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements.



It's calculated using certain **quantitative** (total assets, total revenues, total net position) and **qualitative** factors (covenants, expectations, or industry factors).

It identifies:

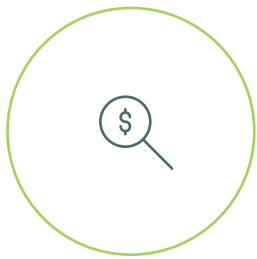
**SIGNIFICANT
RISK AREAS**

**NATURE,
TIMING, EXTENT,
AND SCOPE OF
TEST WORK**

**FINDINGS OR
MISSTATEMENTS**



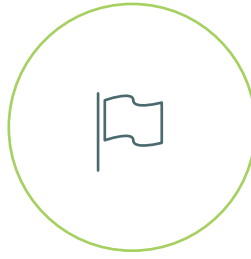
Significant Risks Identified



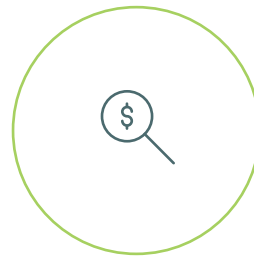
**REVENUE
RECOGNITION
AND VALUATION
OF
RECEIVABLES**



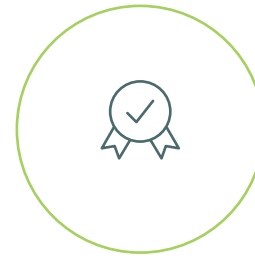
**EXISTENCE OF
CASH AND
VALUATION OF
INVESTMENTS**



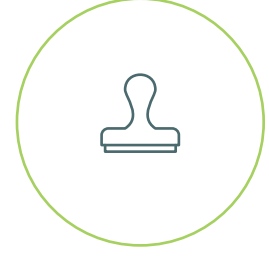
**EXISTENCE AND
VALUATION OF
CAPITAL ASSETS**



**FINANCIAL CLOSE
AND REPORTING**



**PENSION AND
OPEB LIABILITY
AND RELATED
PENSION AND
OPEB EXPENSE**



**COMPLIANCE
WITH FEDERAL
LAWS AND
REGULATIONS
AND OREGON
MINIMUM
STANDARDS**



Consideration of Fraud



AUDITORS MUST CONSIDER FRAUD TO “IMPROVE THE LIKELIHOOD THAT AUDITORS WILL DETECT MATERIAL MISSTATEMENTS DUE TO FRAUD IN A FINANCIAL STATEMENT AUDIT.”

To identify fraud-related risks of material misstatement, we:

- Brainstorm with the engagement team
- Meet with the County’s Internal Auditor
- Conduct interviews with elected officials and various personnel within and outside the Accounting department
- Document understanding of internal control
- Consider unusual or unexpected relationships identified in planning and performing the audit

Procedures we perform:

- Examine general journal entries for nonstandard transactions
- Evaluate policies and accounting for revenue recognition
- Test and analyze significant accounting estimates for biases
- Evaluate rationale for significant unusual transactions



IT General Controls Assessment

2023 Scope

Systems

- Peoplesoft Financials
- PeopleSoft Human Resource Management
- Ascend
- Other systems if identified as relevant to financial reporting

Areas of Focus

- Change Management
- Logical Security and Access
- Operations (backups and batch processing)
- Cybersecurity Questionnaire

Schedule

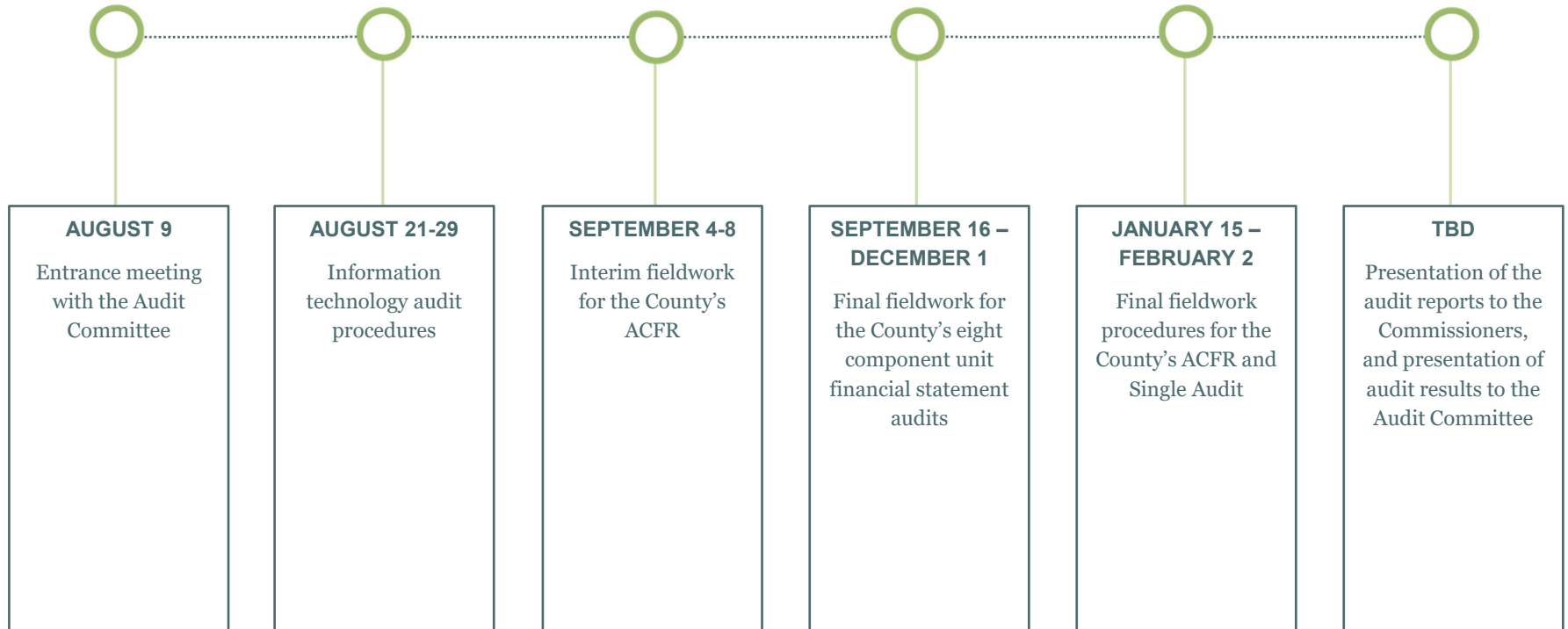
- Walkthroughs: August 21 – August 30
- OE Testing: August 21 – September 15, extended as needed
- Exit Meeting: TBD
- Debrief Memo: TBD



Audit Timing

2023

2024



Recent Accounting Developments





Standards to be Adopted in 2023

GASB 91, Conduit Debt Obligations

Establishes a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures

GASB 94, Public-Private and Public-Public Partnerships and Availability Arrangements

Improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs) and provides guidance for accounting and financial reporting for availability payment arrangements (APAs).





Standards to be Adopted in 2023

GASB 96, Subscription-Based Information Technology Arrangements

Improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition.

GASB 99, Omnibus 2022

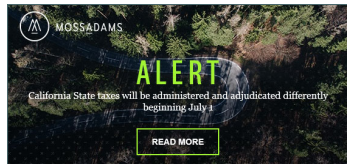
Enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature addressing a variety of topics including leases, PPPs, SBITAs, as well as a variety of other topics.



INDUSTRY FOCUS

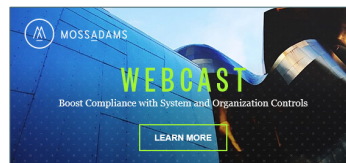
An Array of Resources

In today's fast-paced world, we know how precious your time is. We also know that knowledge is key. These resources offer what you need to know, when you need to know it, and in the format that fits your life.



Articles & Alerts

Industry-specific insight and important tax and assurance updates



Webcasts

On demand and live sessions with our professionals on technical and timely topics

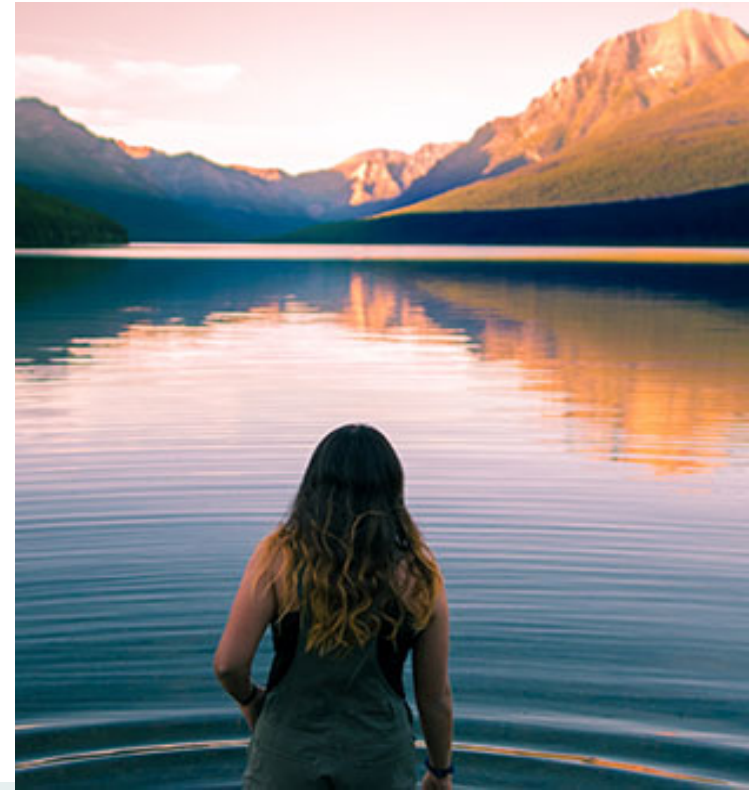


Reports & Guides

A more in-depth look at significant changes and subjects across the accounting landscape



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THANK
YOU

	Entity Name	Trial Bal	Draft Financials	Audit Work	Issuance
1	Extension Service District 4H	8/14/2023	9/1/2023	9/7-9/15	9/30/2023
2	Library Service District	8/15/2023	9/1/2023	9/7-9/15	9/30/2023
3	Enhanced Law Enforcement District	8/16/2023	9/1/2023	9/7-9/15	10/5/2023
4	Special District Number 5	8/17/2023	9/1/2023	9/7-9/15	10/5/2023
5	North Clackamas Parks & Recreation District	9/11/2023	10/16/2023	10/16-10/24	11/17/2023
6	Water Environment Services	10/26/2023	Early November	10/23 - 10/27	11/17/2023
7	Housing Authority of Clackamas County	Mid October	End October	10/23-11/17	12/20/2023
8	Clackamas County Development Agency	9/30/2023	10/31/2023	11/20-12/1	12/20/2023
9	Clackamas County	12/1/2023	1/3/2024	1/15-2/2	2/28/2024