

# AGENDA

## Clackamas County Audit Committee

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

Zoom Meeting ID:

<https://clackamascounty.zoom.us/j/82529520854>

**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, Financial Reporting Manager, City of Beaverton  
Samuel Scull, Public Member,  
Kenny Sernach, Public Member, County Budget Committee

**Committee  
Staff:**

Gary Schmidt, County Administrator  
Elizabeth Comfort Director, Finance  
Patrick Williams, Deputy Finance Director  
Sue Unger, Accounting Manager  
Joseph Rosevear, Grant Manager  
Jennifer Johnson, Administration Assistant  
Linu Parappilly, TS Director  
Keelan Cleary, TS Deputy Director  
Andrea Morrill, TS Project Manager

## Agenda

1. Introductions:
2. Approval of November 2, 2022 meeting minutes (Page 2-6)
3. Clackamas County Audited Fiscal Year 2021-2022 – Moss Adams
  - a. Financial Statements Recommendations
  - b. Single Audit Finding (page 19 of FY22 Single Audit 6-30-2022)
  - c. TS Debrief Memo: Recommendations
4. Independent Auditor Contract Update
5. Audit Schedule for fiscal year ending June 30, 2023 (Page 7)
6. Audit Committee membership
  - a. Vacancies: 2 vacancies, 3 applications
  - b. Process for applications
7. Next Committee meeting - August
8. Open for Other Items
9. Adjourn

The Audit Committee meets two 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.

<sup>1</sup>*Recordings 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*<sup>1</sup>)

**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 25<sup>th</sup> from the 26<sup>th</sup> 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 31<sup>st</sup>. 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

The Audit Committee meets a minimum of two times per 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

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

The Audit Committee meets a minimum of two times per 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

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.

The Audit Committee meets a minimum of two times per 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

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**

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

**Meeting Adjourned at 2:40pm**

The Audit Committee meets a minimum of two times per 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

	<b>Entity Name</b>	<b>Trial Bal</b>	<b>Draft Financials</b>	<b>Audit Work</b>	<b>Issuance</b>
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