



Department of Finance

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

May 23, 2024

BCC Agenda Date/Item: _____

Board of County Commissioners
Clackamas County

Approval of a Resolution Acknowledging the Fiscal Year 2023 Audit Findings and Approving the Plan of Corrective Action to address the findings in Accordance with ORS 297.466. No fiscal impact. No County General Funds are involved.

Previous Board Action/Review	Issues Update – May 21, 2024		
Performance Clackamas	This Resolution continues to build public trust as we demonstrate good government by being fiscally responsible for the public’s funds.		
Counsel Review	Yes	Procurement Review	No
Contact Person	Elizabeth Comfort	Contact Phone	503-936-5345

EXECUTIVE SUMMARY: Clackamas County is requesting approval of a resolution acknowledging the finding in the Fiscal Year 2023 Audit completed on May 15, 2024, by Moss Adams LLP, and approves the plan of action that addresses the finding. ORS 297.466(2) requires that a plan of action addressing deficiencies found in an audit is filed with the Secretary of State within 30 days of audit completion. Additionally, the County must have its governing body adopt a resolution acknowledging the financial statement finding that includes a plan of action describing the corrective actions being implemented.

For the audit carried out on the County’s Fiscal Year 2023, Moss Adams issued a clean opinion on the financial statements, finding that they were presented fairly, in all material respects, and that the respective financial position of the governmental activities and the respective changes in financial position and cash flows were presented with generally accepted accounting principles.

Aside from that clean opinion, the audit report included one significant deficiency in internal controls over financial reporting – timeliness and accuracy of reconciliations for the Housing Authority of Clackamas County a component unit of Clackamas County within the Housing and Community Development Division of the Health, Housing & Human Services Department.

Account reconciliation should be prepared timely and accurately and include all relevant transactions that have occurred. In doing so, general ledger balances would then be accurate and complete and meet the requirements of generally accepted accounting principles by following financial reporting standards of the Governmental Accounting Standards Board. Due to a software conversion, the Housing Authority prepared reconciliations for audit months later, which required significant edits and multiple versions. In addition, Authority management has not properly updated the financial close and reporting schedule following the software conversion.

The Housing Authority completed a software conversion in July 2023 that required a lot more time than expected and delayed the reconciliation and financial close process. This resulted in Authority staff needing

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additional time to complete the reconciliations, delaying the ability to produce clean financial information for the audit.

On July 1, 2022, the Housing Authority began a software conversion from a very antiquated system to a new online platform, Yardi. Due to the age of the existing system and the incongruity in structure between the two systems, the conversion was more challenging than expected. The conversion required extensive hand corrections to the data in the new system by staff to improve the integrity of the data.

Seeing the additional staff effort required, the Housing Authority requested extensions in its reporting deadlines from HUD and the State for the Fiscal Year 2023. By delaying reporting, the Housing Authority could ensure staff had the time needed to produce accurate reports and have confidence in data from the new Yardi system. Although the Housing Authority met the extended deadlines, auditors noted that if financial reconciliations had been completed on schedule there would not have been a need for the extensions. Throughout the extension periods, the Housing Authority remained in close contact with HUD and the State and met the extended deadlines as expected and they were not at any time considered out of compliance.

The plan of action includes identification of root causes, an impact assessment, and a correction action plan. The full audit report from Moss Adams and Resolution with Exhibit A, the plan of action detailing the Housing Authority's proposed actions to improve performance, is attached. The Housing Authority is confident that its plan of action will ensure the ability to meet future reporting deadlines and avoid future findings.

RECOMMENDATION: Staff respectfully recommends the Board of Clackamas County approve this resolution acknowledging the Significant Deficiency in Internal Controls for fiscal year 2023 and the attached Plan of Action describing corrective action in accordance with ORS 297.466.

Respectfully submitted,

Elizabeth Comfort

Elizabeth Comfort
Finance Director

BEFORE THE BOARD OF COUNTY COMMISSIONERS

OF CLACKAMAS COUNTY, STATE OF OREGON

A Resolution Acknowledging a Significant Deficiency Found in the Internal Controls Over Financial Reporting Regarding the Timeliness and Accuracy of Reconciliations and Approval of Plan of Action in Accordance with ORS 297.466 for Fiscal Year 2023

RESOLUTION NO.

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Whereas, the Clackamas County Annual Comprehensive Financial Report (ACFR) audit by Moss Adams LLP (the “auditor”) was concluded on May 15, 2024 for Fiscal Year 2023; and

Whereas, the auditor made a finding, Finding 2023-001, that found a significant deficiency in internal control over financial reporting for timeliness and accuracy of reconciliations for the Housing Authority of Clackamas County (“Housing Authority”) a component unit of Clackamas County within the Housing and Community Development Division of the Health, Housing & Human Services Department.; and

Whereas, general ledger balances would then be accurate, complete, and meet the requirements of generally accepted accounting principles (“GAAP”) by following financial reporting standards of the Governmental Accounting Standards Board (“GASB”) if timely and accurate reconciliations are done; and

Whereas, due to a software conversion, the Housing Authority prepared reconciliations for audit months later than normal; and

Whereas, the reconciliations required significant edits and multiple versions for accuracy; and,

Whereas, management had not properly updated the financial close and reporting schedule following the software conversion; and

Whereas, the Housing Authority is tasked with submitting unaudited financial statements to the US Department of Housing and Urban Development (“HUD”) by August 31, 2023, and an extension of time to November 30, 2023 was requested and granted; and

Whereas, the Housing Authority is tasked with submitting audited financial statements to the State of Oregon by December 31, 2023, and an extension of time to April 30, 2024, was requested and granted; and

Whereas, if the reconciliations were prepared in a complete and accurate manner on the normal schedule, the extensions in reporting time would not have been necessary; and

Whereas, the Housing Authority began a software conversion in July 2022, which required more time than expected and delayed reconciliations and financial close processes in FY 2023; and

BEFORE THE BOARD OF COUNTY COMMISSIONERS

OF CLACKAMAS COUNTY, STATE OF OREGON

A Resolution Acknowledging a Significant Deficiency Found in the Internal Controls Over Financial Reporting Regarding the Timeliness and Accuracy of Reconciliations and Approval of Plan of Action in Accordance with ORS 297.466 for Fiscal Year 2023

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Whereas, additional time was needed for Housing Authority staff to complete accurate reconciliations and ensure data integrity in the new software system; and

Whereas, there were no material weaknesses identified in the financial statements; and

Whereas, the auditor recommended the Housing Authority update the financial close and reporting schedules to ensure all reconciliations are prepared timely and accurately; and

Whereas, the auditor recommended the County engage with the Housing Authority and verify reconciliations are completed in a timely manner to ensure timely financial reporting; and

Whereas, ORS 297.466(2) requires the governing body of Clackamas County to adopt a plan of action (the “Plan of Action”) to address the deficiencies; and

Whereas, ORS 297.466(3) requires the County to submit the Plan of Action to the Secretary of State’s Office within 30 days from the submission of the County’s Annual Report to the Secretary of State; and

NOW, THEREFORE, BE IT RESOLVED that in order to ensure current and future compliance with OMB Uniform Guidance, that the Board of Commissioners of Clackamas County reviewed the Fiscal Year 2023 Audit report and approves and adopts the Plan of Action to address the deficiencies identified therein, a copy of which is attached hereto as Exhibit A and incorporated by this reference herein; and

NOW, THEREFORE, BE IT FURTHER RESOLVED that in order to ensure current and future compliance with Office of Management and Budget’s (OMB) Uniform Guidance, and to create additional internal controls for compliance with the same, Clackamas County will immediately implement the procedures and internal controls outlined in the Plan of Action.

Dated this 21st day of May, 2024.

**BOARD OF COMMISSIONERS
OF CLACKAMAS COUNTY, OREGON**

Chair

Recording Secretary



Elizabeth Comfort
Finance Director

Department of Finance

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

May 14, 2024

In accordance with OMB Uniform Guidance, we have provided below Clackamas County's response and corrective action plan addressing the finding in the "Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*" for the fiscal year that ended June 30, 2023.

Finding 2023-001: Reporting – Significant Deficiency in Internal Control over Financial Reporting – Timeliness and Accuracy of Reconciliations for the Housing Authority of Clackamas County

Management agrees with the finding and the auditor's recommendation.

Contact Person responsible for corrective action:

Patrick Williams
Deputy Finance Director
pwilliams@clackamas.us
971-325-5392

Corrective Action Planned:

Procedures will be incorporated into the County workflow to provide additional monitoring and oversight of the financial close and reporting schedule for the Housing Authority of Clackamas County. These will include:

- Regular meetings with Authority management and staff to communicate status updates on implementation of new ERP and reconciliations.
- Verification and review of Authority's reconciliations.
- Communicate County audit deadlines and requests to enhance collaboration between the Authority and the County in the preparation of the Annual Comprehensive Financial Report.

Anticipated Completion Date:

Corrective action plan will be implemented immediately, and progress will be ongoing.

Sincerely,

Elizabeth Comfort

Elizabeth Comfort
Finance Director