



Elizabeth Comfort
Finance Director, Interim

Department of Finance

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

February 20, 2020

Development Agency Board
Board of County Commissioners
Clackamas County

Members of the Board:

A Resolution Acknowledging a Financial Statement Finding for Fiscal Year 2019
and Describing the Corrective Action in Accordance with ORS 297.466

Purpose/Outcome	Acknowledgement of a financial statement finding for fiscal year 2019 and description of the corrective action that will be implemented.
Dollar Amount and fiscal Impact	The dollar amount is reported in the Comprehensive Annual Financial Report (CAFR) in Financial Statement Finding 2019-001 (Appendix A attached).
Funding Source	Varies
Safety Impact	N/A
Duration	Audits are filed annually. Corrective action to be implemented will be permanent.
Previous Board Action/Review	N/A
Counsel Review	Reviewed and approved by County Counsel on February 12, 2020
Contact Person	Christa Bosserman-Wolfe, Deputy Finance Director, 503-742-5407
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 the internal controls over financial reporting, identifying any deficiencies defined as significant or material. Detail of this can be found in the CAFR as part of the Schedule of Findings and Responses (or see Appendix A attached).

ORS 297.466 requires within 30 days after filing an annual audit 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 Financial Statement Finding as cited in the June 30, 2019 audit and describe the corrective actions implemented.

This Resolution has been reviewed and approved by County Counsel.

RECOMMENDATION:

Staff respectfully recommends the Development Agency Board of Clackamas County approve this resolution acknowledging the Financial Statement Finding for fiscal year 2019 and describing corrective action in accordance with ORS 297.466.

Respectfully submitted,

Elizabeth Comfort, Interim Finance Director

A Resolution Acknowledging Financial
Statement Findings for Fiscal Year 2019 and
Describing Corrective Action in Accordance
with ORS 297.466

RESOLUTION NO.
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WHEREAS, the Clackamas County
Development Agency's Comprehensive Annual Financial Report "(CAFR)" for the fiscal
year ending June 30, 2019, contained a Financial Statement Finding 2019-001 (the
"Financial Statement Finding"), as defined therein, that noted a "significant deficiency";
and

WHEREAS, the CAFR defines a significant deficiency as "a deficiency, or a combination
of deficiencies, in internal control that is less severe than a material weakness, yet
important enough to merit attention by those charged with governance."; and

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

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

NOW, THEREFORE, BE IT RESOLVED that in
order to ensure current and future improvements in internal controls, Clackamas County
Development Agency will implement the recommended procedures outlined in the CAFR,
the relevant portion of which is attached hereto Exhibit A and incorporated by this
reference herein, by the summer of 2020.

Dated this 20th day of February, 2020.

CLACKAMAS COUNTY BOARD OF COMMISSIONERS
Acting as the Governing Body of the
Clackamas County Development Agency

Chair

Recording Secretary

CLACKAMAS COUNTY DEVELOPMENT AGENCY
(A COMPONENT UNIT OF CLACKAMAS COUNTY, OREGON)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019

FINDING RELATED TO FINANCIAL STATEMENTS WHICH IS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING 2019-001—Voided Property Transaction, Significant Deficiency in Internal Controls

Criteria – Cash balances should be clearly presented in the financial statements, and properly reflect all cash and cash items on hand, in transit, or on deposit with third parties. Cash balances should also reflect a proper cutoff of receipts and disbursements.

Condition – An ongoing Agency project purchased and paid for a right-of-way on June 5, 2019. Subsequent to current fiscal year-end, the check payment for the right-of-way was voided on July 10, 2019. In our cash auditing procedures, we noted the Agency's accounting for the voided transaction was not reflected in its fiscal year-end financial statements as of and for the year ended June 30, 2019. The voided checked payment occurred soon enough after fiscal year-end that the Agency should have reversed its accounting to reflect the events of the entire transaction.

Context – The Agency's capital assets reported increases of approximately \$3.5M during the current fiscal year, and the amount of this overstatement was \$405,600.

Effect – The Agency's governmental activities understated cash and overstated capital assets by \$405,600. The Agency's governmental funds understated cash and overstated capital outlay expenditures by \$405,600. The Agency recorded adjustments to correct the misstatements.

Cause – Financial close and reporting controls were insufficient to identify actions taken subsequent to year-end, in this case a voided check that cancelled a capital asset acquisition, that should be reflected in the current year financial statements.

Recommendation – We recommend the Agency's financial close and reporting controls include a review of actions taken and events that have occurred subsequent to the fiscal year-end, including voided checks, for those requiring an adjustment to balances and transactions that should be reflected in the current year financial statements and or disclosed in the notes to financial statements.

Response – The County Finance Department acting on behalf of the Agency will add a review of checks voided subsequent to year end to its book closing procedures. Additionally Finance will review its procedures on checks issued and returned to departments for disbursement to minimize the time between when a check is written and when it is sent or delivered to the payee.