



Department of Finance

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

March 2, 2023

BCC Agenda Date/Item: _____

Board of County Commissioners
Acting as Governing Body of Clackamas
County Development Agency

Approval of a Resolution Acknowledging Financial Statement Findings of a Material Weakness in Internal Control over Compliance for Fiscal Year 2022 and Describing Corrective Action in Accordance with ORS 297.466. No fiscal impact. No County General Funds are involved.

Previous Board Action/Review	Briefed at Issues – February 28, 2023		
Performance Clackamas	1. Which indicator of success does this item affect? This Resolution continues to build public trust as we demonstrate good government by being fiscally responsible for the public's funds.		
Counsel Review	2/13/2023 AN/ NB	Procurement Review	N/A
Contact Person	Elizabeth Comfort	Contact Phone	503-936-5345

EXECUTIVE SUMMARY: As part of the annual audit each year, the County's external audit firm reports on compliance with various Oregon statues. One of these requirements is to report upon any internal controls over financial reporting that identified any material weakness in the financial statements. Detail of this can be found in the ACFR as part of the Schedule of Findings and Reponses.

The Development Agency transferred a capital asset with a net book value of \$1,623,576 to property held for sale. Net book value is an approximation of the asset's cost. Rather than recording the property held for sale asset at net book value, the asset was recorded at its book value of \$2,078,477. This materially overstated the Agency's Clackamas Town Center Development Area financial statements, which is a major fund. The Agency corrected the misstatement by decreasing property held for sale and revenue by \$454,901.

ORS 297.466 requires that the governing body of the Clackamas County Development Agency adopt a resolution acknowledging the Financial Statement Findings and describing the corrective actions implemented. This misstatement was identified during the audit and corrected.

RECOMMENDATION: Staff respectfully recommends the Board of Clackamas County approve this resolution acknowledging the Material Weakness in Internal Controls for fiscal year 2022 and the attached Plan of Action describing corrective action in accordance with ORS 297.466.

Respectfully submitted,

Elizabeth Comfort

Elizabeth Comfort
Finance Director

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BEFORE THE BOARD OF COUNTY COMMISSIONERS

OF CLACKAMAS COUNTY, STATE OF OREGON

A Resolution Acknowledging Material Weaknesses in Internal Control over Compliance for Fiscal Year 2022 and Describing Corrective Action in Accordance with ORS 297.466



RESOLUTION NO.

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Whereas, the Clackamas County Development Agency (the Agency) Annual Comprehensive Financial Report (ACFR) audit for the fiscal year ending June 30, 2022 reports one material weakness in internal control over compliance; and

Whereas, governments occasionally acquire redevelopment properties and these properties held for sale are considered financial assets because they are intended to be sold, rather than used for the government’s operations; and

Whereas, these assets should not be reported at an amount higher than their net realizable amount, these properties are valued at the lower of cost or market; and

Whereas, the auditors identified that the Agency transferred a capital asset with a net book value of \$1,623,576 to property held for sale and net book value is an approximation of the asset’s cost. Rather than recording the property held for sale asset at net book value, the asset was recorded at its book value of \$2,078,477 which materially overstated the Agency’s Clackamas Town Center Development Area financial statements, which is a major fund.; and

Whereas, the Clackamas County Development Agency should ensure the accuracy of recording assets held for sale at net book value; and

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

Whereas, ORS 297.466(3) requires 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 Clackamas County Development Agency’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, the County Finance Department acting on behalf of the Agency will establish training on transactions occurring between capital assets and property held for sale. Additionally, Finance will continue to educate and monitor as these transactions are infrequent.

BEFORE THE BOARD OF COUNTY COMMISSIONERS

OF CLACKAMAS COUNTY, STATE OF OREGON

A Resolution Acknowledging Material Weaknesses in Internal Control over Compliance for Fiscal Year 2022 and Describing Corrective Action in Accordance with ORS 297.466

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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 Development Agency has implemented the procedures outlined above as of January 31st, 2023, the date of the audit Corrective Action Plan.

Dated this 2nd day of March, 2023.

CLACKAMAS COUNTY BOARD ON BEHALF OF THE DEVELOPMENT AGENCY

Chair

Recording Secretary



March 2, 2023

Oregon Secretary of State,
Audits Division
255 Capitol St. NE, Suite #500
Salem, OR 97310

Plan of Action for Clackamas County

Clackamas County respectfully submits the following corrective action plan in response to weaknesses reported in our audit of fiscal year ended June 30, 2022. The audit was completed by the independent auditing firm Moss Adams. The plan of action was adopted March 2, 2023 by the County's governing body, as indicated by signatures below.

The weakness is listed below, including the adopted plan of action and timeframe for each.

1. Material Weakness
 - a. Instance of non-compliance related to the valuation and reporting of capital assets. The County materially overstated the net book value of a property held for sale.
 - b. Clackamas County staff responsible for the recognition and accurate reporting of capital assets will receive ongoing training on properly recognizing and reporting those assets. The Capital Asset Accountant will review transactions more frequently and work with County departments when questions or discrepancies arise.

Governing Body Chair, Tootie Smith

Signature

County Administrator, Gary Schmidt

Signature