

# Clackamas County Audit Committee - Minutes

August 9, 2023, 2:00PM (*recorded*<sup>1</sup>)

**Committee Present:** Tootie Smith, Clackamas County Chair  
Mark Shull, Clackamas County Commissioner  
Josh Kam, Public Member  
Scott Johnson, Public Member  
Michael Osborne, Public Member

**Committee Absent:** Samuel Scull, Public Member  
Kenny Sernach, Public Member, County Budget Committee Liaison

## Committee

**Staff:** Elizabeth Comfort, Director, Finance  
Gary Schmidt, County Administrator  
Patrick Williams, Deputy Finance Director  
Sue Unger, Accounting Manager  
Joseph Rosevear, Grant Manager

## Additional

**Attendees:** Ashley Osten, Moss Adams  
Kevin Mullerleile, Moss Adams  
Leila Annen, 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

- November 2, 2022 (included in meeting invitation & sent out with the agenda)
- July 12, 2023 (included in meeting invitation & sent out with the agenda)

Chair Smith moved to approve the minutes. Confirmed with Mr. Schmidt that both could be approved under one motion. Mr. Shull made a motion to approve the minutes. Seconded by Mr. Kam, the motion passed with 5 out of 7 voting members present and 5 in favor.

**Clackamas County Audit Planning for Fiscal Year 2022-2023 – Moss Adams** Ms. Comfort asked Ms. Osten to share her prepared presentation for the official kick off of the 2023 audit, schedule and general plan. Ms. Osten introduced the Moss Adams team of herself, Ms. McLeary-Moore, Mr. Muellerleile and Ms. Annen. She spoke about the required communications by the auditors. The entrance required communications (see slide). Ms. Osten handed it off to Mr. Muellerleile to speak to the responsibilities of the auditors. (See presentation.) He spoke about the audit process starting with internal controls, analytical procedures and substantive procedures and if anything has changed since last year including the TS audit. (See presentation.) Ms. Comfort said that the testing portion of the internal controls will start in October. Mr. Muellerleile stated that there is a slide later in the presentation regarding timeline. He spoke on the definition of materiality which is calculated as quantitative

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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.

and how significant risks are identified. (See presentation.) As part of this they consider where fraud could have occurred or did occur such as misstatement of revenue or expenditures. The auditors will reach out to those within the County to get information about potential fraud. Mr. Muellerleile handed off the presentation to Ms. Annen to speak on the IT General Controls Assessment with a focus on PeopleSoft Financial Services, PeopleSoft Human Resources & Ascend but potential inquiries on any new systems identified during the audit. The IT audit focuses on Change Management, Logical Security and Access, Operations (backups and batch processing), and cybersecurity questionnaire. The field work will start August 21-30, testing Aug 21 - Sept 15 to extend as needed, the end meeting and debrief memo to be determined but most likely in Sept or Oct.

Ms. Osten took over the presentation to speak to audit timing. The entrance meeting is this meeting today. The IT audit will be August, Sept 4-8 interim fieldwork for the Annual Comprehensive Financial Report (ACFR), Sept 16-Dec 1 final fieldwork for 8 component units financial statements audit, Jan 15-Feb 2 final fieldwork for ACFR. (see presentation)

Standards to be adopted in 2023. GASB 91 Conduit Debt Obligations, GASB 94 Public-Private and Public-Public Partnerships and Availability, GASB 96 Sub Based Info Tech Arrangements, GASB 99 Omnibus 2022. (see presentation)

Ms. Osten shared resources and contact information and stopped sharing and asked for any questions.

Chair Smith asked if there were any questions. Mr. Shull asked if we would see some clarity on where there were redundant expenditures and duplicate efforts related to expenditures. Ms. Osten said that this isn't something they look for specifically but that if there were concerns to reach out. Mr. Shull stated that he was satisfied with her response.

### **Audit preparation schedule**

Ms. Comfort shared the audit prep schedule. Ms. Osten stated that this schedule is a more detailed schedule of what she shared in her presentation. This is for management and when they will provide info to the auditors. These dates can be adjusted by a few days as necessary, but the dates are pretty close. The County is expected to issue 2-28-24 and that has already been communicated to the committee and the Board of County Commissioners. Mr. Muellerleile stated that there could be a meeting summarizing all audits when the ACFR is issued. Chair Smith said that would be preferable. Ms. Comfort asked for the committee's confirmation of support of the schedule. Chair Smith confirmed that the committee had expressed their agreement.

### **Other Items**

Chair Smith opened the meeting up for any other issues. There were none. She thanked the new and reappointed members. Nothing from Mr. Smith or Ms. Comfort.

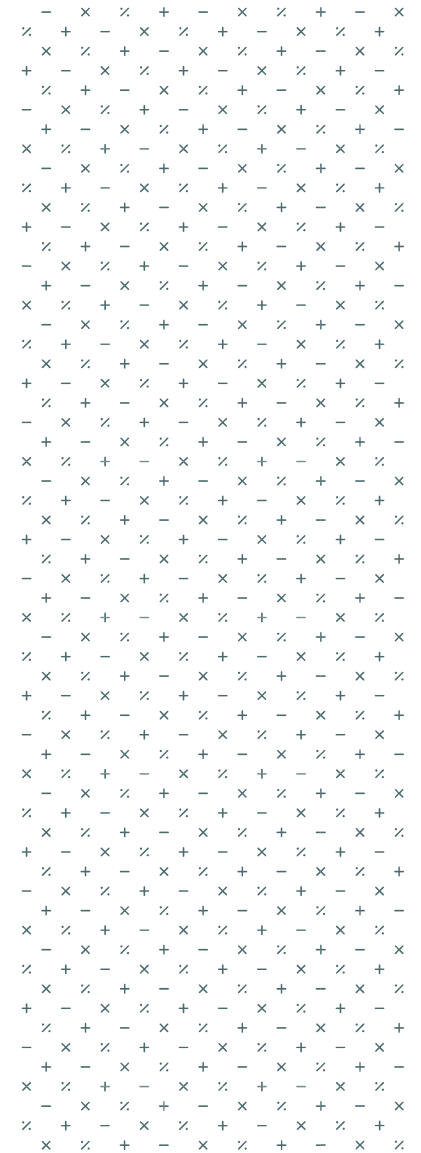
### **Meeting Adjourned at 2:31pm**

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# Audit Entrance

Better Together: Moss Adams & Clackamas County



# Audit Committee Members

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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

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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?

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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:

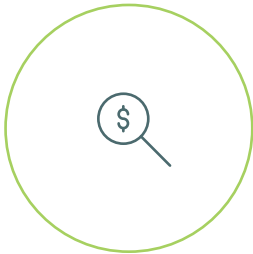
**SIGNIFICANT  
RISK AREAS**

**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**



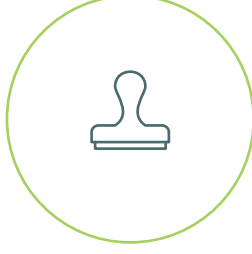
**EXISTENCE AND  
VALUATION OF  
CAPITAL ASSETS**



**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

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## 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

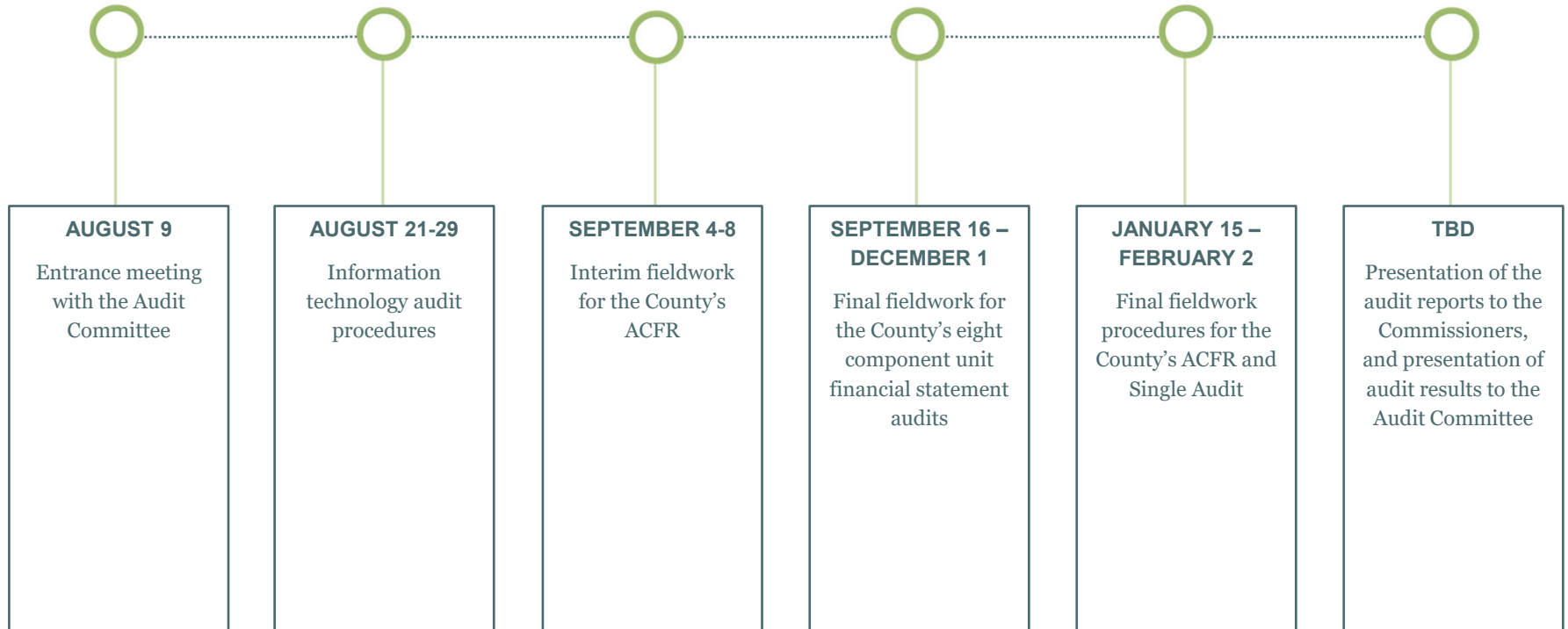
- Walkthroughs: August 21 – August 30
- OE Testing: August 21 – September 15, extended as needed
- Exit Meeting: TBD
- Debrief Memo: TBD



# Audit Timing

2023

2024



# Recent Accounting Developments

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## Standards to be Adopted in 2023

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### *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

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### *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.

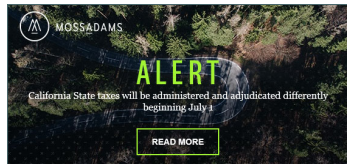




INDUSTRY FOCUS

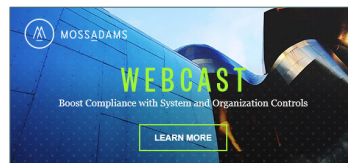
# An Array of Resources

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



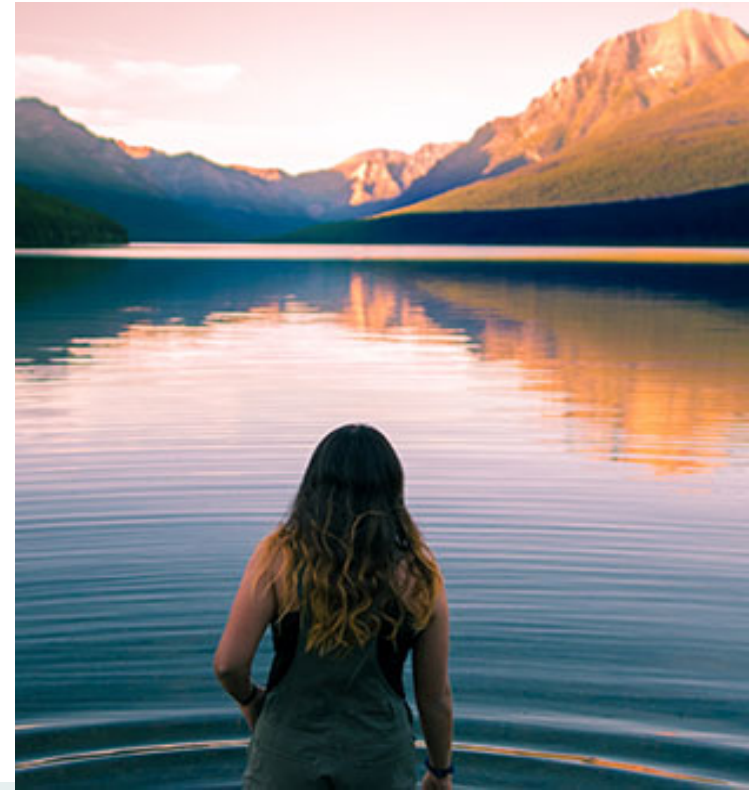
## Reports & Guides

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



# Contact Us

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	<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