

CITY of LA GRANDE
COUNCIL ACTION FORM

Council Meeting Date: January 10, 2018

PRESENTER: Kim Hulse, Finance Director

COUNCIL ACTION: AUDIT FINDING CORRECTIVE PLAN

1. MAYOR: Request Staff Report
2. MAYOR: Invite Public Comments
3. MAYOR: Invite Council Discussion
4. MAYOR: Entertain Motion

Suggested Motion: I move that we authorize the Mayor to sign the letter prepared to the State of Oregon Audit division.

5. MAYOR: Invite Additional Council Discussion
6. MAYOR: Ask for the Vote

EXPLANATION: Per the requirements of House Bill 2174 which became effective on April 16, 2015, it is required that the municipality shall determine the measures it considers necessary to address any deficiencies disclosed in the SAS 115 letter prepared by the City's Auditor and within 30 days after filing an audit report the with Secretary of State under ORS 297.465 (Standards for audits), shall file with the secretary a copy of the plan of action. The attached letter satisfies this requirement.

Each year the City Council receives a hard copy of the audit, and with that there is a SAS 115 letter included which is used to further clarify standards & provides guidance on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements, including any deficiencies. In the past, the SAS 115 letter also included management's response to any deficiencies, including corrective actions taken or to be taken. The format of this letter has now changed to remove the management response. Historically, the plan of action required to comply with the requirements of HB 2174 has been filed by the Finance Director using the same management response contained in the SAS 115 letter. The Finance Director recently clarified with the State Audits division that it is more appropriate for the Mayor to sign this letter on behalf of the City.

The City Manager recommends the letter be signed and forwarded to the State Audits division as presented by Staff.

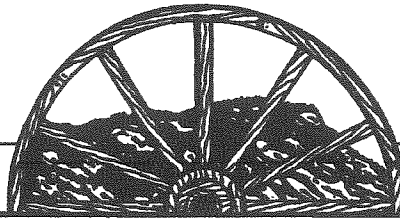
Reviewed By: (Initial)
 City Manager _____
 City Recorder _____
 Aquatics Division _____
 Building Department _____
 ED Department _____
 Finance _____
 Fire Department _____



Human Resources Dept _____
 Library _____
 Parks Department _____
 Planning Department _____
 Police Department _____
 Public Works Department _____

COUNCIL ACTION (Office Use Only)

- Motion Passed
- Motion Failed; _____
- Action Tabled; _____
Effective Date: _____
- Resolution Passed
Effective Date: _____
- Ordinance Adopted
First Reading: _____
Second Reading: _____
Vote: _____



January 12, 2018

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

RE: Audit Finding Corrective Action Plan for the City of La Grande

The City of La Grande respectfully submits the following corrective action plan to address the four deficiencies noted within the SAS 115 (included) on our annual audit report for the period ending June 30, 2017, per the requirements of HB Bill 2174 which became effective on April 16, 2015. The corrective actions required for the material weaknesses have already been completed and the adjustments have been made as described below. The City Manager has communicated the expected changes to internal controls to the Staff and these will be monitored during the current and subsequent fiscal years.

Deficiencies in internal control considered a material weakness:

- 1. Condition and criteria:** The City of La Grande Public Works Sewer Division annually bills a neighboring City for sewer treatment services for the prior year based on actual costs. This billing historically had not been communicated to the Finance office. The billing was sent out in 2016, but it was not paid in a timely manner by Island City, resulting in the payment not being received until after the end of the fiscal year. As a result, the City had to capture two years of fees in one year.

Cause: Lack of communication with the Finance Department that the annual billing has been completed and sent to Island City.

Actions Taken or Planned: The Public Works Sewer Division will prepare the billing and submit it to Island City earlier in the fiscal year, with a copy to the Finance office so the Finance Office can record it as a receivable.
- 2. Condition and criteria:** Missing schedules and summaries and for construction in progress projects were not readily available resulting in adjustments to the capital assets schedules for the Beaver Creek Dam and ODOT Street projects.

Cause: Lack of communication between Public Works and the Finance Departments regarding these projects prevented the information from being recorded in a timely fashion. There was also a delay in receiving some of this information from the State of Oregon.

Actions Taken or Planned: Public Works will provide information to the Finance Department in a more timely fashion. Additionally, the Finance Department will begin a process of requesting information at six and nine months into the fiscal year to prevent lapses in communication.
- 3. Condition and criteria:** Fund exchange agreements for the Bernie Park Grant and the Beaver Creek Dam and ODOT Street projects were not readily available to the Finance Department and reimbursements were not prepared in a timely fashion.

Cause: Lack of communication between Public Works and the Finance Departments regarding these projects prevented the information from being recorded in a timely fashion and in delays in requesting grant funding reimbursements.

Actions Taken or Planned: All Departments will be reminded to continue to provide information regarding grants to the Finance in a more timely manner. Additionally, the Finance Department will begin a process of requesting information at six and nine months into the fiscal year on all outstanding grants to prevent lapses in communication.

Deficiencies in internal control considered a significant deficiency:

Condition and criteria: The City of La Grande relies on the auditor to assist in drafting the financial statements in addition to verifying the financial statements, including note disclosures.

Cause: Most governmental agencies in the State of Oregon have their financial statements prepared by the auditor or other external consultants as GAAP for governmental entities is complex and it is normally more efficient for both cost and time to have the auditor draft the financial statements.

Actions Taken or Planned: The City of La Grande has not made any change in the method of preparation of the financial statements. The City does not feel it is cost effective to hire additional staff or an independent contractor to prepare the financial statements.

Respectfully,

Steve Clements
Mayor