

CITY OF NEWPORT
RESOLUTION NO. 4002

**A RESOLUTION ADOPTING A CORRECTIVE PLAN OF ACTION FOR FINDINGS
RELATED TO THE 2022-23 FISCAL YEAR AUDIT**

- **WHEREAS**, the City of Newport's, 2022-23 Fiscal Year (FY) audit is complete and the Annual Comprehensive Financial Report (ACFR) has been issued and approved by the Audit Committee and the City Council.

- **WHEREAS**, the City of Newport's 2022-23 FY audit contained two findings reported in the Single Audit Report, these are considered deficiencies and a corrective action plan is necessary to be filed with the Oregon Secretary of State and the Federal (Audit) Clearinghouse,

WHEREAS, upon receipt of an audit report under ORS 297.465(2), the governing body of a municipal corporation shall determine the measures it considers necessary to address any deficiencies disclosed in the report. The governing body shall adopt a plan of action to address the deficiencies. The plan must include the estimated period of time necessary to complete the planned actions. This resolution must be filed within 30 days after filing an audit report with the Secretary of State under ORS 297.465.

THE CITY OF NEWPORT RESOLVES AS FOLLOWS:

- 1) The City Council adopts the Corrective Action Plan for the audit findings for the Annual Comprehensive Financial Report for the Year Ended June 30, 2023 marked Attachment A.
- 2) This resolution will become effective immediately upon passage.

Adopted by the Newport City Council on January 2, 2024.



Jan Kaplan, Mayor

Attest:



Erik Glover, City Recorder



CITY OF NEWPORT – FINANCE
169 SW COAST HIGHWAY
NEWPORT, OR 97365

January 2, 2024

Background Information:

The Auditor has issued the 2022/2023 Annual Comprehensive Finance Report. As part of the financials, the Single Audit Report is complete but still in the draft stage waiting for the Corrective Action Plan. In the Single Audit Report, the auditor has issued two findings, one for the Financial Statements and one in the Federal Awards. City staff has prepared and attached the Corrective Action Plan to address these two findings, and they are presented for your review.

Financial Statement Finding (2023-001):

Finding: Prior to this fiscal year, journal entries were prepared by the Assistant Finance Director and the Finance Director would review the entries. The Assistant Finance Director was promoted to Finance Director in fiscal year 2023 and the Assistant Finance Director position was vacant the entire fiscal year resulting in some journal entries being prepared and reviewed by the same individual. Errors could be made in posting journal entries or inappropriate entries could be made. We recommend management implement internal control procedures to ensure all journal entries made are reviewed prior to posting.

Personnel to Effect Change: Finance Director (Steve Baugher) and Assistant Finance Director (Eric Carpenter)

City Response and Corrective Action Plan: Fiscal year 2022-23 was a challenging year for the City of Newport due to staff turnover and vacancies for key positions. The Assistant Finance Director was Interim Finance Director from July 2022 to December 2022, and was promoted to Finance Director on December 22, 2022. The Assistant Finance Director position was vacant for fiscal year 2022-23 despite multiple job posting attempts to fill the position. Therefore, the Finance Director was preparing and reviewing journal entries prior to posting due to staff vacancy. An Assistant Finance Director was hired on July 24, 2023. The Assistant Finance Director is now preparing all journal entries and the Finance Director is reviewing the journal entries.

Anticipated Completion Date(s): July 24, 2023

Federal Award Finding and Questioned Cost (2023-002):

Finding: The City did not have policies and procedures in place to ensure the suspended and debarred list was checked consistently nor did they retain documentation of the list being checked prior to

contracts being awarded to awardees. The City could award contracts to suspended or debarred parties. We recommend the City implement processes and procedures to ensure the suspended and debarred listing is checked prior to awarding contracts to outside parties. In addition, we recommend the City maintain documentation of this check being performed.

Personnel to Effect Change: Finance Director (Steve Baugher), Capital Projects & Grant Accountant (Linda Wertman), Grants Manager (Catherine Rigby), and City Engineer (Interim Chris Beatty)

City Response and Corrective Action Plan: Fiscal year 2022-23 was a challenging year for the City of Newport due to staff turnover and vacancies for key positions in Engineering, Public Works and Finance. Processes were in place to ensure that vendors were not on the suspended or debarred list prior to awarding contracts. However, due to key staff turnover, the documentation was not available to verify that the process was followed. The Finance Department, Engineering, and Grant Manager will work on a checklist to make sure all required written documentation is obtained. The written documentation will be centrally kept by the Capital Projects and Grant Accountant with the awarded contract before executing the contract. The checklist will include that the suspended and debarred list is checked to make sure the awardee is not on the list and retain documentation of the list being checked.

Anticipated Completion Date(s): March 31, 2024