

**CITY OF NEWPORT**  
**RESOLUTION NO. 3967**

**A RESOLUTION ADOPTING A CORRECTIVE PLAN OF ACTION FOR FINDINGS  
RELATED TO THE 2021-22 FISCAL YEAR AUDIT**

- **WHEREAS**, the City of Newport's, 2021-22 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 2021-22 FY audit contained three findings reported in the Single Audit Report and the two reportable conditions in the Independent Auditor's Report Required by Oregon State regulations, one, 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, and two, deficit budgetary basis fund balances and these too are filed with the Secretary of State.

**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, 2022 marked Attachment A.
- 2) This resolution will become effective immediately upon passage.

Adopted by the Newport City Council on March 6, 2023.

  
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Dean Sawyer, Mayor

Attest:

  
\_\_\_\_\_  
Erik Glover, City Recorder



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

February 15, 2023

**Background Information:**

The Auditor has issued the 2021/2022 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 three findings, one for the Financial Statements and two in the Federal Awards. The auditor has noted that five funds had over-expended appropriations and one public contracting and purchasing finding in the independent auditor's report required by Oregon state regulations. City staff has prepared and attached the Corrective Action Plan to address these two reports, and they are presented for your review.

**Financial Statement Finding (2022-001):**

**Finding:** Prior to this fiscal year, the supporting financial schedules and trial balance were prepared and reconciled by either the Assistant Finance Director or Finance Director and a second employee (the Finance Director or Assistant Finance Director) would review the work performed. The Finance Director left the City in early 2022 and the position was unfilled the remainder of the fiscal year resulting in a deficiency in internal controls. Errors in the trial balance and supporting schedules were identified during the course of the audit causing journal entries to be made in order for the financial statements to be presented in accordance with generally accepted accounting principles. We recommend management implement internal control procedures to review and reconcile the trial balance and supporting schedules.

**Personnel to Effect Change:** Finance Director (Steve Baugher) and Assistant Finance Director (Interim-Steve Baugher)

**City Response and Corrective Action Plan:** Fiscal year 2021-2022 was a challenging year for the City of Newport. The Finance Director left in February 2022. The Finance Director position was filled on an interim basis by the Assistant Finance Director, leaving the Assistant Finance Director position vacant. In addition, a second key position was vacant due to family medical leave. Once both positions are filled, the process will be to have a second person review supporting schedules and reconciliations before submitting the schedules to the auditors.

**Anticipated Completion Date(s):** June 30, 2023

**Federal Award Finding and Questioned Cost (2022-002):**

Finding: There was a lack of review of the SEFA and supporting documentation resulting in errors in the original SEFA. Corrections were required to revise the amounts reported on the SEFA. A lack of controls can result in errors not being caught in a timely manner. The City should establish oversight and review procedures to ensure the amounts reported on the SEFA are accurate and adequately support.

Personnel to Effect Change: Finance Director (Steve Baugher) and Capital Projects & Grant Accountant (Linda Wertman)

City Response and Corrective Action Plan: The Finance Department experienced a number of vacancies caused by an unfilled vacant position, a position on family leave (currently Capital Projects & Grants Accountant), and retirements. Once key positions are filled, the process will be to have a second person review the SEFA report and supporting documentation that is prepared by Finance staff to reduce the risk of errors.

Anticipated Completion Date(s): June 30, 2023

**Federal Award Finding and Questioned Cost (2022-003):**

Finding: Amounts reported on the Request for Advance or Reimbursement and Federal Financial Report submitted for AIP29, project #17023, were incorrect. The review process was ineffective, and errors were not identified prior to submission of the reports. The City corrected the reports after the original submission but ineffectively designed internal controls resulted in errors not being caught in a timely manner. The City should establish oversight and review procedures to ensure the amounts reported on the reports are accurate and adequately support.

Personnel to Effect Change: Airport Director (Lance Vanderbeck) and Capital Projects & Grant Accountant (Linda Wertman)

City Response and Corrective Action Plan: The Airport Director will initially review all Request for Advance or Reimbursement and supporting documentation by the contracted supervisor of the project. The Capital Projects Accountant will then also review the Request for Advance or Reimbursement and supporting documentation before submission for reimbursement.

Anticipated Completion Date(s): June 30, 2023

**Budgets legally required (ORS Chapter 294):**

Finding: Expenditures in the following funds exceeded appropriations for the year ended June 30, 2022:

<u>Fund</u>	<u>Budget Category</u>	<u>Budget</u>	<u>Actual</u>	<u>Over Expenditure</u>
General	Community Development	\$286,309	\$300,192	(\$13,883)
	Oregon Housing and			
Housing	Community Services	17,020	31,954	(14,934)
Airport	Airport Operations	953,508	982,422	(28,914)
Public Works	Public Works Administration	358,192	393,324	(35,132)
City Facility	Pier & Boardwalks	11,077	11,905	(828)

Community Development, Airport Operations, Public Works Administration, and Pier & Boardwalks was over budget due to implementation of GASB 87 (lease accounting). Oregon Housing and Community Services was over budget due to fees collected on 06/30/22 and passed on to Oregon Housing & Community Services for a large housing project.

Personnel to Effect Change: Finance Director (Steve Baugher) and Assistant Finance Director (Interim-Steve Baugher)

City Response and Corrective Action Plan: With implementation of GASB 87, Finance did not include the fiscal impact on appropriations relating to this new standard prior to the close of the fiscal year. This impacted four funds. In the Housing Fund, an unanticipated CET payment at the end of the fiscal year was received which required an additional payment to the Oregon Housing & Community Services. Future appropriations will consider the impacts of GASB 87 on leases. Finance will monitor budgets and revise appropriation changes at the end of the fiscal year to address any shortfalls.

Anticipated Completion Date(s): June 30, 2023

**Public Contracting and Purchasing (ORS Chapters 279A, 279B, 279C):**

Finding: The City entered into a contract related to the Nye Beach Pump Station grinder and sanitary sewer pipe replacement project but did not include Davis-Bacon prevailing wage labor requirements in the bid (solicitation) document as required by ORS Chapter 279C.

Personnel to Effect Change: Finance Director (Steve Baugher), Assistant Finance Director (Interim-Steve Baugher) and Capital Projects & Grant Accountant (Linda Wertman)

City Response and Corrective Action Plan: To help employees involved with the procurement process, the City is currently working on revising a written procurement policy that outlines the ORS public contracting and purchasing requirements. The City is also planning on incorporating training sessions on public contracting and purchasing requirements for Department Directors.

Anticipated Completion Date(s): Written procurement policy by June 30, 2023. Training sessions to follow implementation of new policy guidelines.