



RESOLUTION 2020-016

ADOPTING A PLAN OF ACTION FOR THE RECOGNITION OF REVENUE AND THE CLASSIFICATION OF CAPITAL ASSETS

WHEREAS, during the audit of the FY2018-19 financial statements it was determined that revenue that was earned but not received within 60 days past year end was incorrectly reported as revenue and not unavailable; and

WHEREAS, franchise fees paid from the proprietary funds to the general fund were incorrectly recorded; and

WHEREAS, the corrections related to these were significant enough to be material to the financial statements and a deficiency in internal control thereby identified by the auditors as a material weakness; and

WHEREAS, during the audit of the fiscal year 2018-19 financial statements it was determined that expenditures capitalized in the Water Fund should have been expensed; and

WHEREAS, it was identified by the auditors as a significant deficiency in internal control; and

WHEREAS, the Sherwood City Council has received and reviewed the FY2018-2019 financial statement audit; and

WHEREAS, ORS 297.466(2) requires the governing body to adopt a plan of action to address these deficiencies,

NOW, THEREFORE, THE CITY OF SHERWOOD RESOLVES AS FOLLOWS:

Section 1. The Plan of Action for Sherwood Oregon, attached hereto as Exhibit A, is hereby approved and adopted.

Section 2. This Resolution shall be effective immediately upon its approval and adoption.


Keith Mays, Mayor

Attest:


Sylvia Murphy, MMC, City Recorder



Home of the Tualatin River National Wildlife Refuge

City of Sherwood
22560 SW Pine St.
Sherwood, OR 97140
Tel 503-625-5522
Fax 503-625-5524
www.sherwoodoregon.gov

Mayor
Keith Mays

Council President
Tim Rosener

Councilors
Renee Brouse
Sean Garland
Russell Griffin
Doug Scott
Kim Young

City Manager
Joseph Gall, ICMA-CM

March 17, 2020

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

Re: Plan of Action for Sherwood Oregon

Sherwood Oregon respectfully submits the following corrective action plan in response to deficiencies reported in our audit of fiscal year ended June 30, 2019. The audit was completed by the independent auditing firm Talbot, Korvola & Warwick, LLC. and reported the deficiencies listed below. The plan of action was adopted by the governing body at their meeting on March 17, 2020, as indicated by signatures below.

The deficiencies are listed below, including the adopted plan of action and timeframe for each.

1. Deficiency #1

- a. Type of deficiency (Material Weakness) – “During our audit, we noted errors related to cut-off of revenue that the City’s internal controls did not prevent, or detect and correct, on a timely basis. Our procedures identified three transactions within governmental funds that were inappropriately recorded as revenue rather than unavailable revenue in accordance with the City’s accounting policies for receivables not received within 60 days of fiscal year end. Additionally, our procedures identified franchise fees related to accrued utility charges in the Water Fund, Sewer Fund, and Storm Fund that were not properly recorded. Without adequate controls over cut-off, there is a reasonable possibility that a significant misstatement or error would not be prevented, or detected and corrected, on a timely basis.”
- b. Document the plan of action – Resolution 2020-016 to create a year-end checklist and a review of accrued revenues at 60 days.
- c. Timeframe for (or date of) implementation: March 17, 2020.

2. Deficiency #2

- a. Type of deficiency (Significant Deficiency) – “During our audit, we noted that the City improperly capitalized expenditures within the Water Fund that should have been expensed. While there are compensating controls such as review of changes to the capital asset spreadsheet and year end reconciliations, there is still a reasonable possibility that a significant misstatement or error would not be detected.”
- b. Document the plan of action: Resolution 2020-016 to educate departments/staff and immediately remove from the City’s fixed asset register any items associated with Plan’s and Methodologies.
- c. Timeframe for (or date of) implementation: March 17, 2020



Keith Mays, Mayor



Sylvia Murphy, MMC, City Recorder