



RESOLUTION 2025-027

ADOPTING A PLAN OF ACTION FOR FINANCIAL CONTROL DEFICIENCIES

WHEREAS, during the audit of the fiscal year 2023-24 financial statements it was determined that \$196,264 of expenditures from the URA Capital Projects Fund were incorrectly recognized and capitalized; and

WHEREAS, during the audit of the fiscal year 2023-24 financial statements it was determined that \$320,307 of interest revenue was being overstated in the URA Capital Projects Fund related to a potential arbitrage liability; and

WHEREAS, during the audit of the fiscal year 2023-24 financial statements it was determined that there was an overstatement of accrued liabilities and understatement of revenue related to court fines that were dismissed in the amount of \$439,191; and

WHEREAS, the corrections 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 2023-24 financial statements it was determined that errors in timecards submitted by the former City Manager were not identified in a timely manner; and

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

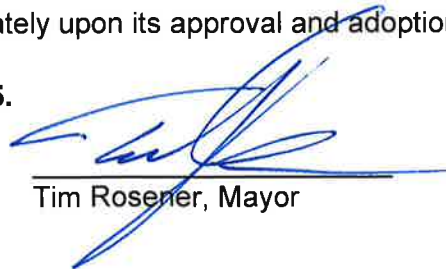
WHEREAS, ORS 297.466(2) requires the governing body to adopt a plan of action to address these deficiencies.

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

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

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

Duly passed by the City Council this 20th of May 2025.



Tim Rosener, Mayor

Attest:



Sylvia Murphy, MMC, City Recorder



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Kim Young

Councilors
Renee Brouse
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Dan Standke

City Manager
Craig Sheldon

Assistant City Manager
Kristen Switzer

May 20, 2025

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

Re: Plan of Action for the City of 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, 2024. 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 May 20, 2025, 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, it was noted that the City’s controls did not prevent, or detect and correct on a timely basis, \$196,264 of expenditures from the URA Capital Projects Fund being incorrectly recognized and capitalized. Without adequate controls over capital assets, 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 2025-027 to educate project managers and create a yearend procedure for secondary review of yearend invoices.
- c. Timeframe for (or date of) implementation: June 30, 2025.

2. Deficiency #2

- a. Type of deficiency (Material Weakness) – “During our audit, it was noted that the City’s controls did not prevent, or detect and correct on a timely basis, a \$320,307 overstatement of interest revenue in the Capital Projects Fund relating to an arbitrage liability. Without adequate controls over arbitrage liabilities, 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 2025-027 create yearend procedures for secondary review of any issued arbitrage report.
- c. Timeframe for (or date of) implementation: May 6, 2025.

3. Deficiency #3

- a. Type of deficiency (Material Weakness) – “During our audit, it was noted that the City controls did not prevent, or detect and correct on a timely basis, a \$439,191 overstatement of accrued liabilities and understatement of revenue related to court fines that had been dismissed. Without adequate controls over revenue and accrued liabilities, 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 2025-027 create procedures for staff in case this were to ever happen again.
- c. Timeframe for (or date of) implementation: August 31, 2025.

4. Deficiency #4

- a. Type of deficiency (Significant Deficiency) – “During our audit, it was noted that the City’s controls did not identify errors in timecards submitted by the City Manager on a timely basis. While the errors were detected with compensating controls, the errors were not corrected until after fiscal year end. Without adequate controls over all timecards, 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 2025-027 to assign approval of the City Managers timecard to the Assistant City Manager.
- c. Timeframe for (or date of) implementation: May 6, 2025.

Tim Rosener, Mayor

Sylvia Murphy, MMC, City Recorder