

RESOLUTION NO. 551

**A RESOLUTION AUTHORIZING REQUEST OF APPROVAL OF ACTION
TAKEN ON AUDITOR'S CONCERNS.**

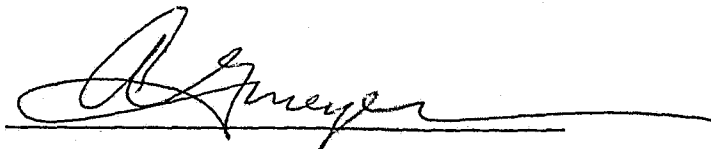
WHEREAS, the city staff has prepared a report on the above captioned subject which is attached hereto as Exhibit "A"; and

WHEREAS, the City Council has duly considered the subject and the findings and recommendations of the Finance Director attached hereto as Exhibit "A" contained in the staff report; and

WHEREAS, interested parties, if any, have had an opportunity to be heard on the subject.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Wilsonville does hereby adopt the staff report attached hereto as Exhibit "A", with the recommendation(s) contained therein and further instructs that action appropriate to the recommendation(s) be taken.

ADOPTED by the City Council of the City of Wilsonville at a regular meeting thereof this 5th day of May, 1986, and filed with the Wilsonville City Recorder this same date.

A handwritten signature in cursive script, appearing to read "A. G. Meyer", written over a horizontal line.

A. G. MEYER, Mayor

ATTEST:

A handwritten signature in cursive script, appearing to read "Vera A. Rojas", written over a horizontal line.

VERA A. ROJAS, City Recorder

CITY OF

Wilsonville

FINANCE DEPARTMENT

TO: MAYOR AND CITY COUNCIL

DATE: April 29, 1986

SUBJECT: Correction of FY 1984-85 Audit Deficiencies

MEETING DATE: May 5, 1986

RS

ACTION REQUIRED: APPROVAL OF ACTION TAKEN ON AUDITOR'S CONCERNS

The audit report for the fiscal year ending June 30, 1985 contained some practices or procedures that the auditor felt should be improved. Listed below are the items of concern and the steps being taken to correct these deficiencies.

1. FIXED ASSET RECORDS NEED TO BE DEVELOPED

Action Taken: A fixed asset program has been purchased with the new computer system and is scheduled to go on line in fiscal year 1986-87. Although the audit for fiscal year 1985-86 will still show a need for improvement in this area, it was felt the need to establish the other major accounting programs a priority and the fixed asset program will follow accordingly. This concern shall be eliminated for the 1986-87 audit.

2. THE NEED TO ESTABLISH GAAP ADJUSTMENT ACCOUNTS FOR REPORTING PURPOSES.

Action Taken: Staff has updated and combined records on special assessment funds and by the end of fiscal year 1985-86 this reporting process will be in use.

3. ESTABLISH A WRITTEN INVESTMENT POLICY

Action Taken: A written investment policy for the City has been developed and was approved by Council by Resolution #540 on February 18, 1986.

4. MAINTAIN A SCHEDULE SHOWING ADEQUANCY OF BANKS COLLATERAL TO SECURE DEPOSITORY BALANCES

Action Taken: The City's new investment policy includes an up-to-date record of all deposits and collateral required.

5. TRACKING OF PERSONNEL COSTS AND ADMINISTRATIVE FEES ON LID PROJECTS
Action Taken: Some disagreement exists on methods used to track employee time spent on LID's. A standard journal entry will be used to record administrative fees on all future LID projects.
6. PAYMENT SCHEDULE NEEDED FOR 70% OF CONNECTION FEES
Action Taken: Connection fees received will be calculated and sent to Clackamas County for bond retirement, on a quarterly basis beginning in fiscal year 1986-87.
- 7A. REVIEW OF BUDGET DOCUMENT AND CALCULATION OF PROPERTY TAX LEVY
Action Taken: Staff reorganization and new budget preparation procedures should alleviate this concern.
- 7B. LINE ITEM IN BUDGET AND ACCOUNTING RECORDS SHOULD CORRESPOND
Action Taken: Budget document is on line in computer system for fiscal year 1986-87. All line items correspond and the chart of accounts has been updated and streamlined.
- 7C. BUDGET DOCUMENT NEEDS TO SHOW DETAILED DATA FROM PRIOR YEARS
Action Taken: Salary line items and other summary line items have been manually broken down to provide detail. Computer generated budget in fiscal year 1986-87 will alleviate any future concern.
8. CURTAIN CHANGES IN ALLOCATIONS OF EXPENDITURES PREVIOUSLY AUTHORIZED BY RESOLUTION
Action Taken: New requirements are being implemented so that once expenditures are allocated for approved projects, no changes can be made without further approval by Council. Also computerization will allow encumbering of funds for these projects and will provide greater control over funds in question.
9. PERSONNEL POLICY IMPLEMENTATION/PRACTICES
Action Taken: The City's personnel policy will be reviewed and written policies established where needed.
10. RECORDS SHOWING STATUS OF LID BOND AND COUPON PAYMENTS
Action Taken: All LID bond sales beginning with the City's anticipated bond sale May 15, 1986 will be set up with a schedule showing actual number of bonds and coupon payments, including amounts due on matured obligations. A procedure also has been established that requires a copy of the coupon being paid to be attached to the City's file copy of the check.

11. DATING OF PURCHASE ORDER RECEIVING REPORT

Action Taken: Employees have been asked to accurately date all receiving copies of purchase orders.

12. REVENUES DESIGNATED FOR LIBRARY USE ONLY

Action Taken: Fiscal year 1986-87 budget clearly designates all revenues intended for the library fund as such.

13. SEPARATE INTERNAL SERVICE FUND FOR PERSONNEL COST.

Action Taken: This suggestion will be considered and a decision on implementation will be made in the future.

SUSAN K. SAUBE, P.C.
CERTIFIED PUBLIC ACCOUNTANT
1220 S.W. MORRISON STREET
PORTLAND, OREGON 97205
(503) 223-4727

December 21, 1985

Honorable Mayor and Council
Mr. Dan Potter
Mr. Ray Shorten
City of Wilsonville
P. O. Box 220
Wilsonville, Oregon 97070

Dear Mr. Mayor, Council, Mr. Potter and Mr. Shorten:

As part of my recent examination of the financial statements of the City of Wilsonville for the fiscal year ended June 30, 1985, I made a study and evaluation of the system of internal controls as required by generally accepted auditing standards. This system encompasses the accounting records and procedures used to provide reliable data, operational efficiency, adherence to policies, and safeguarding of assets. This evaluation was based on selected tests of the accounting records and related data, so would not necessarily disclose all weaknesses in the system. Below is a list of accounting procedures that I feel could be implemented or improved. They should not be considered material weaknesses in the accounting system, but do deserve your attention.

1. Fixed asset records need to be developed. Entries are required to record fixed asset acquisitions made via construction, purchase, and contribution. Current practice of assigning subnumbers to construction projects is a step in the right direction. Engineering and interest expenses also need to be included as part of construction, as do freight and installation charges on purchased assets. For certain contributed assets, the Public Works Department should be directed to communicate with Accounting when improvements are "accepted" by the City. Estimated cost information needed to record such improvements can be found on the public works permit.
2. For monthly reporting purposes, the accounting records need to be kept on the budgetary basis. However, "GAAP adjustment" accounts need to be created to recognize the differences between budget and GAAP. Depreciation, fixed assets and long-term debt transactions can be recorded at year-end if need be. But Special Assessment Funds should reflect accurate information on assessments receivable at all times. This requires the use of a GAAP adjustment account to record assessment-principal receipts recognized as income for budget purposes.
3. A written investment policy is required by ORS 294.035. This is particularly important now that Clackamas County Treasurer's office is no longer handling investments.
4. An up-to-date schedule should be maintained to summarize investments and accounts in each bank, to be compared with collateral pledged by that bank.

This is needed to improve compliance with ORS 295 requirements.

5. All personnel should keep track of time spent on LID projects in order to support fees charged to them. Public works staff time is currently being recorded by means of interfund charges, or through public works permits. A standard journal entry should also be developed to record administrative fees earned each month.

6. To comply with resolutions, 30% of sewer and water net hook-up fees must be sent to Clackamas County Treasurer's office to contribute to bond retirement. Failure to send these payments timely has caused errors in interest income allocations and reports of resources available. A schedule of payments due needs to be prepared and followed. Also, more accurate information on the net hook-up revenues needs to be requested and/or made available for use in budget preparation.

7. Regarding budget preparation, these steps should be considered:

a) Review of the budget document by someone other than the preparer. Particular attention should be paid to calculation of the property tax levy, including bond requirements and the percent of taxes uncollectible in the year levied. Interfund transfers have also been a troublesome area.

b) Line items in the budget and in the accounting records should correspond. A manual describing what belongs in each account would be helpful to get consistent and accurate classification of revenues and expenditures. Are the accounts, plant maintenance, system maintenance, building maintenance and general maintenance all necessary? Is this specific information used by anyone? Streamlining of the chart of accounts (and budget line items) may be appropriate.

c) The budget document requires actual data to be reported for certain preceding years. To provide this information, audit adjusting entries will have to be posted in detail to the accounting records, rather than in summary form.

8. Allocations of expenditures authorized by resolution should not be changed upon recording of expenses unless the same authority adopts an amendment.

9. Practices followed to implement the personnel policies should be written down to assure consistent treatment. Most important is a policy for handling vacation and sick leave for part-time employees. Other procedures to be documented are the calculation of part-month accruals of vacation and sick leave, and the handling of excess accumulated vacation hours.

10. Improvement is needed in records showing the status of LID bond and coupon payments. The amount due on matured obligations is not readily available. Additional effort is also required so that supporting documentation for cash disbursements indicates which bonds and coupons are being paid.

11. Employees need to be reminded to date the "Purchase order receiving report" when goods are received. This is particularly important in June to establish a cut-off date for accounts payable accrual.

12. Since a separate library fund has not been established, revenues designated for library use need to be clearly identified in the accounts. For example, "County shared revenue - Library," and "Contributions - Library."

Honorable Mayor and Council
Mr. Dan Potter and Mr. Ray Shorten
December 21, 1985
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13. Has a separate internal service fund been considered for personnel costs? This is similar to what is being done now with the General Fund showing the expenditure for all but Sewer Fund's personal service costs. But a separate fund would insure that allocation of vacation pay is not forgotten. Also, it would support the budget treatment of personnel costs as a "Materials and Services" type expense.

Some of the above suggestions were proposed last year, and I am disappointed that no action has been taken. However, I realize that keeping up with day to day activities is a priority, and am encouraged by the efforts being made currently to track fixed assets. I would be happy to help with GAAP entries, LID bond schedules, etc., if needed.

Sincerely,

Richard T. Brown

cc State Division of Audits