

Clackamas County Audit Committee - Minutes

April 1, 2025, 4:00PM (*recorded*¹)

Committee Present:

Craig Roberts, Clackamas County Chair
Paul Savas, Clackamas County Commissioner
Jane Vetto, County Counsel
Christina McMahan, Director of Juvenile Services
Dan Johnson, Director of Transportation & Development
Josh Kam, Public Member
Michael Osborne, Public Member
Scott Johnson, Public Member
Wendy Rader, Public Member, County Budget Committee Liaison

Committee Absent:

N/A

Committee Staff:

Gary Schmidt, County Administrator
Elizabeth Comfort, Finance Director
Ethel Gallares, Deputy Finance Director
Sue Unger, Accounting Manager
Bouavieng Bounnam, Grants Manager

Additional

Attendees:

Ashley Osten, Moss Adams
Kevin Mullerleile, Moss Adams
Ben Tellin, Moss Adams

Meeting began at approximately 4:02PM

Introductions

Welcome by Chair Roberts. He turned it over to Ms. Comfort for roll call. There is a quorum reached as all members were in attendance.

Approval of the Previous Meeting Minutes

- August 9, 2023 (included in meeting invitation & sent out with the agenda)

Motion was made to approve Aug 9, 2023 meeting minutes as there wasn't a quorum at the last meeting where they were presented. Moved to approve by Mr. Dan Johnson, seconded by Ms. Rader. All in favor of approval, Ms. McMahan abstained as she wasn't present. Motion passed.

- August 12, 2024 (included in meeting invitation & sent out with the agenda)

Motion was made to approve Aug 12, 2024 meeting minutes. Moved to approve by Mr. Dan Johnson, seconded by Mr. Scott Johnson. All in favor of approval, Commissioner Savas abstained as he wasn't present. Motion passed.

The Audit Committee meets a minimum of two times per year, with independent auditors, to assist in planning and reviewing results of the audits; as well as recommending a course of action to staff and/or the Board of County Commissioners. The Committee also provides review and independent oversight of the County's financial reporting processes, internal controls, and independent auditors.

FY 2024 Audit Results – Moss Adams

a. Clackamas County Financial Statements

b. Single Audit

Ms. Comfort passed the meeting over to Ms. Osten to present FY24 audit results. Please see the presentation materials as referenced in these minutes.

Ms. Osten and Mr. Mullerleile from the Moss Adams audit team presented the audit results for the county's financial statements. They issued an unmodified opinion, indicating that the financial statements were presented in accordance with US generally accepted accounting principles. The team also conducted a single audit, which did not identify any control or compliance findings. The audit focused on internal controls, pension liability, OPEB liabilities, bond funding, capital assets, revenue streams, and net position. The team also tested three major federal programs. Mr. Mullerleile highlighted the smooth process of the audit and the adherence to the planned timeline. The County received an extension to the state deadline and the County issued it before that date on Feb. 27th and the single audit was completed early on March 21, 2025.

Mr. Mullerleile and Ms. Osten discussed the County's ongoing accounting policies, with no significant changes noted. They also mentioned the implementation of a new accounting standard, GASB Statement number 100, which did not have a substantial impact on the County's financial statements. The team audited several cities and counties in Oregon, where the new standard had a noticeable effect. They also discussed the County's financial statements, focusing on key balances and judgments, and found them all to be reasonable. The team encountered no difficulties during the audit and did not identify any material errors. However, they did identify an immaterial error related to an accounts receivable balance in the H3S Fund, which was not a valid receivable. The team also discussed the County's financial statements' risks, exposures, and uncertainties, and determined that nothing specifically needed to be disclosed.

Ms. Osten discussed the identified deficiencies in the county's grant management. The first issue was related to the entitlement Grants cluster program, where a required Federal Funding Transparency Act report was not filed for a subrecipient. Ms. Osten recommended monitoring and tracking reporting requirements for each contract. The second issue was related to procurement and allowable costs in the Coronavirus State and Local Fiscal Recovery Funds program. Two vendors lacked required language in their contracts, and there was no indication of a search on sam.gov. Ms. Osten recommended including required language in contracts and performing a search on sam.gov for vendors funded with Federal dollars. The third issue was related to allowable costs, where 9 transactions for contracted employees were charged to a ballot 108 measure, which is not allowable. Ms. Osten recommended evaluating disbursements to ensure they are appropriately recorded and allowable before being charged to a federal award.

Mr. Mullerleile discussed the results of the fiscal year 2024 audit. No fraud or noncompliance with laws and regulations needed to be reported. The team also highlighted two new standards to be adopted in 2025: GASB 101, which requires the evaluation of accrued sick leave, and GASB 102, which involves additional disclosure for significant revenue or concentration constraints.

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c. IT Audit

Mr. Tellin discussed the IT testing they conducted, noting a few internal control deficiencies, particularly in change management and security and access areas. The audit committee was informed that the county is working on implementing the recommendations from previous years.

Questions/Comments

Ms. Osten and Mr. Mullerleile discussed the challenges and standards related to financial reporting, particularly for component units. They clarified that there were no significant challenges this year and explained the concept of "GASB 100," which refers to standards for presenting changes in financial statements. Mr. Savas inquired about a previous audit report for the Sheriff's office, which Ms. Osten suggested should be directed to Tammy Lohr. Mr. Dan Johnson asked about the definition of "significant" in the context of financial reporting, to which Ms. Osten responded that it is judgment-based and involves assessing potential impacts on the county's financial statements.

Mr. Kam inquired about the repercussions of single audit findings from Federal agencies. Ashley clarified that the single audit report had just been submitted, and it was unlikely that the Federal agencies would have already responded. Ms. Comfort advised the committee to stay tuned for updates. Mr. Scott Johnson praised the team for completing the complex reports quickly and commended them for receiving the Certificate of Achievement for Excellence in Financial Reporting. He also pointed out a minor error in the audit report, which was acknowledged by Ms. Osten. Ms. Comfort expressed her team's commitment to continuous improvement and announced plans for the next audit. Mr. Schmidt expressed his appreciation for the team's efforts and the clean audit result.

Other Items

Chair Roberts opened the meeting up for any other issues. There were none. He thanked the members and adjourned the meeting.

Meeting Adjourned at 4:52pm

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FY24 Audit Results

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Agenda

1. Auditor Opinions and Reports
2. Areas of Audit Emphasis
3. Required Communication with Those Charged with Governance
4. Other Information

Your Dedicated Team



Ashley Osten
*Engagement Reviewer
and Partner*



Amanda McCleary-Moore
*Concurring Reviewer
and Partner*



Kevin Mullerleile
*Senior Manager and
Delegated Engagement
Reviewer*

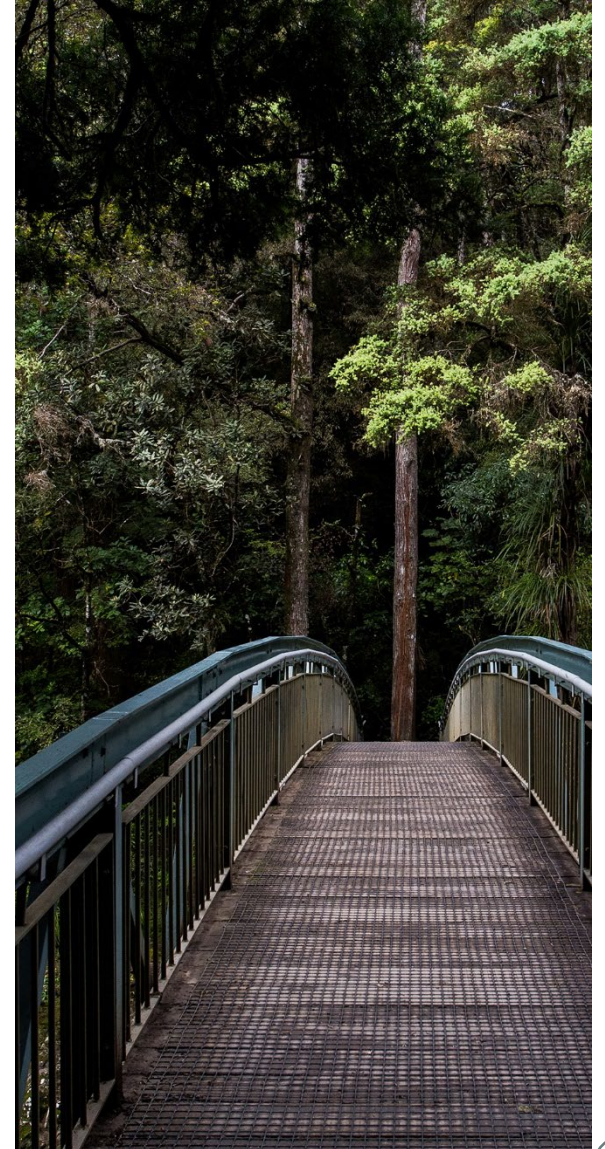


Ben Tellin,
*Senior, IT Consulting
Group*





Auditor Opinions & Reports



Auditor Reports on the County's Financial Statements

Report of Independent Auditors

- Unmodified opinion
- Financial statements are presented fairly in accordance with US GAAP

Report of Independent Auditors Required by Oregon State Regulations

- No control findings
- No compliance findings



Other Auditor Reports – Single Audit

GAGAS Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

- No control findings
- No compliance findings

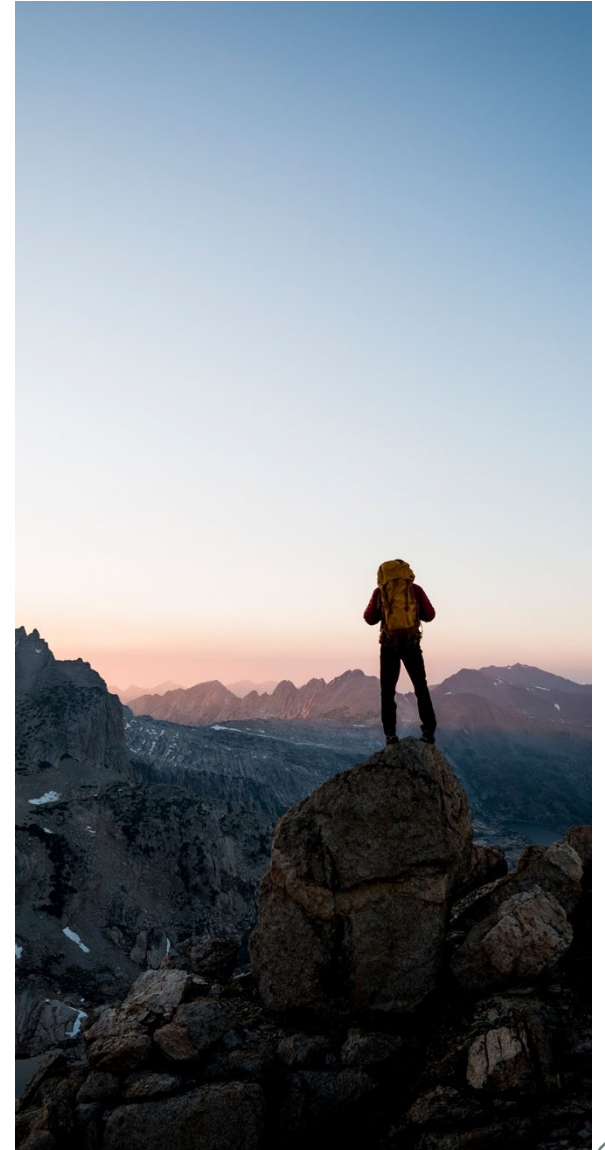
Report on Compliance with Requirements that could have a Direct and Material Effect on Each of the Major Federal Programs and on Internal Control Over Compliance in accordance with the Uniform Guidance for Federal Awards (2 CFR Part 200)

- Three significant deficiencies in internal control
- Three instances of non-compliance reported





Areas of Audit Emphasis



Areas of Audit Emphasis

- Internal control environment – revenue, capital assets, payroll, cash disbursements, financial close and reporting, pension and OPEB liabilities, investments, long-term debt, information technology general controls
- Net pension liability – recognition of the County’s share of the liability for County employees’ future pension obligations as part of Oregon PERS; employer liability and related deferred inflows/outflows including selections of new hires and contributions made by the County
- Net OPEB liability – recognition of the County’s liability for County employees’ future OPEB obligations as part of County’s single employer plan; employer liability and related deferred inflows/outflows including selections of new hires and contributions made by the County
- Bond activity – confirmed additions of debt, tested debt repayments and compliance with disclosure requirements
- Capital assets – tested additions, retirements, and depreciation
- Revenue recognition – revenues from charges for services and property taxes tested using substantive analytical procedures; sampled grant revenues and fees revenue and performed detailed testing; considered collectability of receivables
- Net position – consideration of classification for unrestricted, restricted, and net investment in capital assets

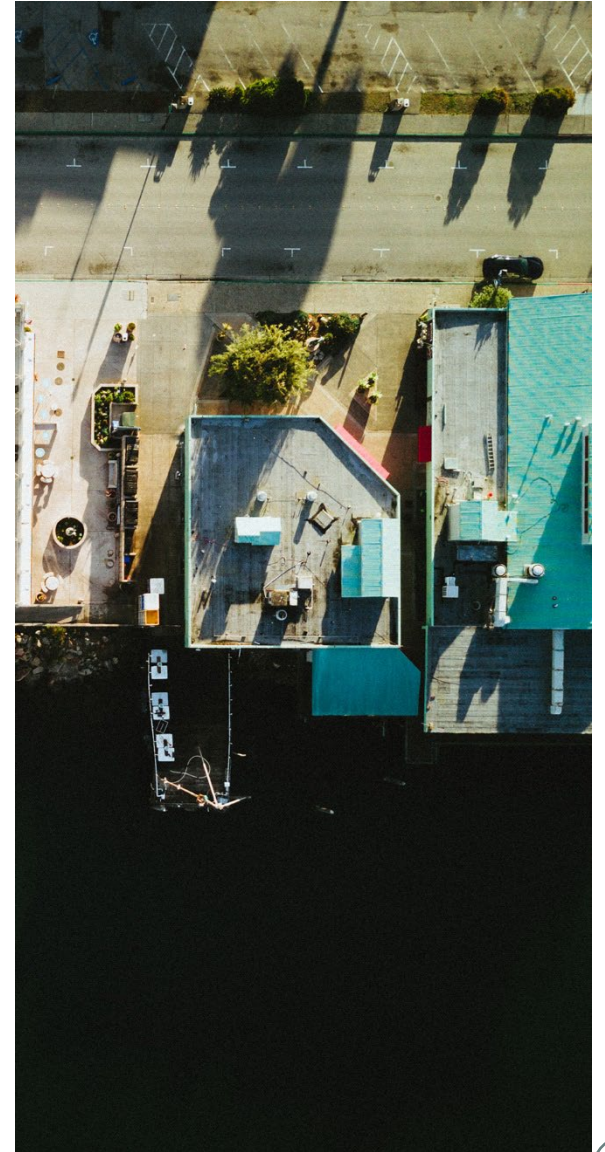


Areas of Audit Emphasis

- Information technology – review of change management, security and access, as well as operations
- Single Audit – tested three major federal programs totaling \$54.5 million in expenditures during the year ended June 30, 2024
 - 14.218 – COVID-19 – CDBG – Entitlement/Special Purpose Grants Cluster
 - 14.239 – Home Investment Partnerships Program
 - 21.027 – COVID-19 – Coronavirus State and Local Fiscal Recovery Funds



Communication with Those Charged with Governance



Our Responsibility Under U.S. Generally Accepted Auditing Standards and *Government Auditing Standards*

1

To express our opinion on whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, and in accordance with U.S. GAAP. However, our audit does not relieve you or management of your responsibilities.

2

To perform an audit in accordance with generally accepted auditing standards issued by the AICPA and *Government Auditing Standards* issued by the Comptroller General of the United States, and design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement.

3

To consider internal control over financial reporting and internal control over compliance as a basis for designing audit procedures but not for the purpose of expressing an opinion on its effectiveness or to provide assurance concerning such internal control.

4

To communicate findings that, in our judgment, are relevant to your responsibilities in overseeing the financial reporting process and administering federal awards. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.



Planned Scope & Timing of the Audit

It is the auditor's responsibility to determine the overall audit strategy and the audit plan, including the nature, timing and extent of procedures necessary to obtain sufficient appropriate audit evidence and to communicate with those charged with governance an overview of the planned scope and timing of the audit.

Our Comments

The County's June 30, 2024 financial statements were required to be filed with the Secretary of State by December 31, 2024. The County applied for and received an extension until February 28, 2025. We issued our reports on February 27, 2025. The County's federal awards audit was completed on March 21, 2025.



Significant Accounting Policies & Unusual Transactions

The auditor should determine that the Committee is informed about the initial selection of and changes in significant accounting policies or their application. The auditor should also determine that the Committee is informed about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Our Comments

Management has the responsibility for selection and use of appropriate accounting policies. The significant accounting policies used by the County are described in the notes to the financial statements. Throughout the course of an audit, we review changes, if any, to significant accounting policies or their application, and the initial selection and implementation of new policies. The following new accounting standard was implemented:

- GASB Statement No. 100, *Accounting Changes and Error Corrections*

We believe management has selected and applied significant accounting policies appropriately and consistent with those of the prior year.



Management Judgments & Accounting Estimates

The Committee should be informed about the process used by management in formulating particularly sensitive accounting estimates and about the basis for the auditor's conclusions regarding the reasonableness of those estimates.

Our Comments

Management's judgments and accounting estimates are based on knowledge and experience about past and current events and assumptions about future events. We apply audit procedures to management's estimates to ascertain whether the estimates are reasonable under the circumstances and do not materially misstate the financial statements.

Significant management estimates impacting the financial statements include the following: Useful lives of capital assets, allowances for doubtful accounts, and estimated liabilities for claims and judgments, OPEB, and PERS.

We deemed the estimates to be based on reasonable inputs and assumptions and consistently applied.



Difficulties Encountered in Performing the Audit

The Committee should be informed of any significant difficulties encountered in dealing with management related to the performance of the audit.

Our Comments

No significant difficulties were encountered during our audit.



Significant Audit Adjustments & Unadjusted Differences Considered by Management to be Immaterial

The Committee should be informed of all significant audit adjustments arising from the audit.

Consideration should be given to whether an adjustment is indicative of a significant deficiency or a material weakness in County's internal control over financial reporting, or in its process for reporting interim financial information, that could cause future financial statements to be materially misstated.

The Committee should also be informed of uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Our Comments

No corrected audit adjustments were identified as a result of our audit procedures.

One uncorrected audit adjustment deemed immaterial was identified – Adjustment was proposed to reduce accounts receivable and charges for services revenue in the amount of \$2,615,279 which includes known and projected errors in the balance.



Potential Effect on the Financial Statements of Significant Risks & Exposures & Uncertainties

The Committee should be adequately informed of the potential effect on the financial statements of significant risks and exposures and uncertainties that are disclosed in the financial statements.

Our Comments

The County is subject to potential legal proceedings and claims that arise in the ordinary course of business, which are disclosed in the notes to the financial statements.



Disagreements with Management

Disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to County's financial statements, or the auditor's report.

Our Comments

We are pleased to report that there were no disagreements with management.



Deficiencies in Internal Control

Any material weaknesses and significant deficiencies in the design or operation of internal control that came to the auditor's attention during the audit must be reported to the Committee.

Our Comments

- **Material weakness**
 - None noted
- **Significant deficiencies & non-compliance**
 - 2024-001 – Reporting (ALN 14.218)
 - 2024-002 – Procurement, Suspension and Debarment (ALN 21.027)
 - 2024-003 – Allowable Costs (ALN 21.027)



Management's Consultation with Other Accountants

In some cases, management may decide to consult about auditing and accounting matters. If management has consulted with other accountants about an auditing and accounting matter that involves application of an accounting principle to the County's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

Our Comments

We are not aware of any significant accounting or auditing matters for which management consulted with other accountants.



Other Material Written Communications

Report to the Committee significant written communications between the auditor and client management.

Our Comments

Other than the audit contract, management representation letters, and communications to those charged with governance, there have been no other significant communications.



Fraud & Noncompliance with Laws and Regulations

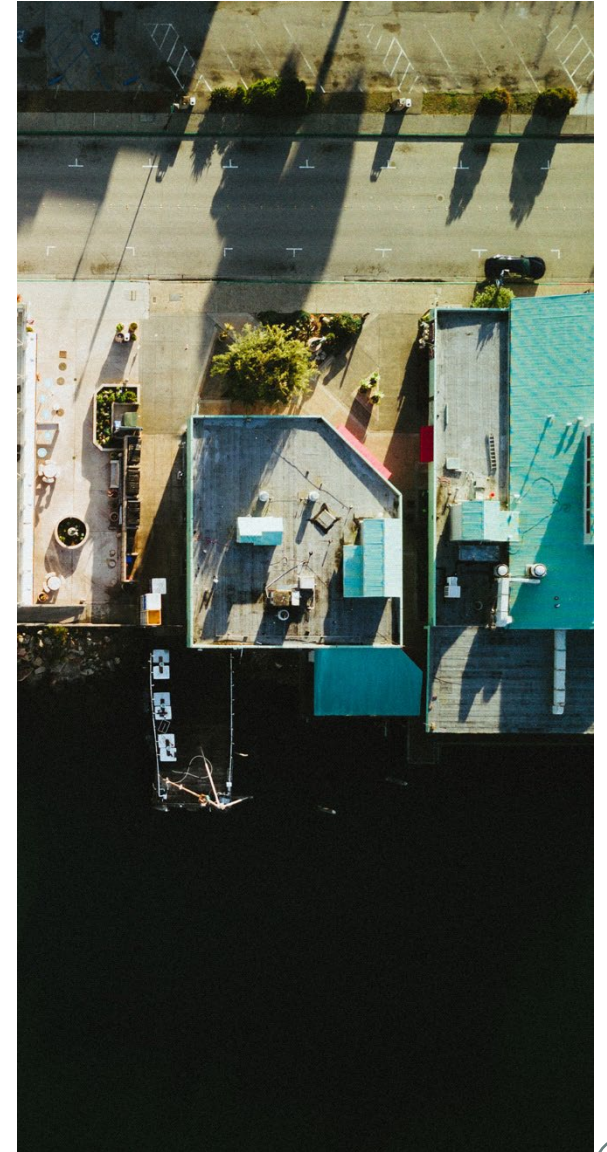
Fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements should be communicated. We are also required to communicate any noncompliance with laws and regulations involving senior management that come to our attention, unless clearly inconsequential.

Our Comments

We have not become aware of any instances of fraud or noncompliance with laws and regulations.



Information Technology Overview



Scope and Results for 2024

Scope

- PeopleSoft Financials
- PeopleSoft Human Resource Management
- Ascend

2025 Plan

- Walkthroughs: April 21 – April 22
- OE Testing: April 21 – May 30
- Exit Meeting: June 20, 2025
- Debrief Memo: Finalized to include management responses July 10, 2025

Internal Control Deficiencies

CHANGE MANAGEMENT

- A proactive review has been implemented Q1 FY25 to monitor or validate change activities to mitigate the risks presented with developers maintaining access to migrate changes to production (*Deficiency from FY24 and Updated in January 2025*)
- Users with development responsibilities have access to migrate changes to Production and/or maintain admin access to Production for PeopleSoft Financials and PeopleSoft HCM (*Continued from FY23*)
- Approvals for changes deployed to the production systems for PeopleSoft Finance and HCM were not present/documented within all change requests (*Continued from FY23*)

SECURITY AND ACCESS

- Access to PeopleSoft Finance, HCM, and Ascend is not reviewed for possible segregation of duties conflicts among key business areas, creating an elevated risk for financial misstatement as unauthorized or inappropriate changes could be made without managerial oversight (*Continued from FY23 and Updated in FY24*)
- Periodic end-user access to PeopleSoft HCM did not include conclusive evidence that all relevant user access was considered during the review (*Continued from FY23 and Updated in FY24*)
- A review of administrative permissions to the database supporting the Ascend application is not performed by management, and administrator access reviews over user accounts in PeopleSoft HCM is not inclusive of generic user IDs (*Continued from FY23 and Updated in FY24*)

Process Improvement Opportunities

OTHER AREAS

- Computer workstations contain local administrator access that some users may access and utilize to perform elevated actions on the local machine (*Continued from FY23*)



Recent Accounting and Auditing Standards Developments





Standards to be Adopted in 2025

GASB 101, *Compensated Absences* – effective for the County’s fiscal year 2025.

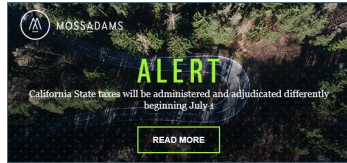
GASB 102, *Certain Risk Disclosures* – effective for the County’s fiscal year 2025.



INDUSTRY FOCUS

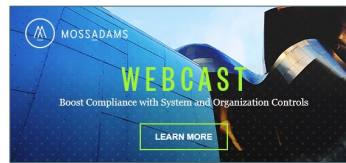
An Array of Resources

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Industry-specific insight and important tax and assurance updates



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Reports & Guides

A more in-depth look at significant changes and subjects across the accounting landscape

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THANK
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