

**CITY OF SILETZ**

**RESOLUTION 737-24**

**A RESOLUTION ACCEPTING THE FY22 AUDIT AS PRESENTED BY THE CITY'S INDEPENDENT AUDITOR, ALDRICH CPAs, and APPROVING A PLAN OF ACTION FOR DEFICIENCIES IN INTERNAL CONTROLS THAT WERE DEEMED TO BE MATERIAL WEAKNESSES**

**WHEREAS**, the city engaged an Independent Auditor, Aldrich CPAs to provide audit services for the City of Siletz for each major fund of the city for the year that ended June 30, 2022; and

**WHEREAS**, the Independent Auditors did not express an opinion on the financial statements of the city because of the significance of the matter described in the basis of the disclaimer of opinion section of the report; and

**WHEREAS**, due to the turnover of the city's employees during the COVID-19 Pandemic, proper documentation was not retained to permit the application of auditing procedures, and therefore the auditor was not able to obtain sufficient appropriate audit evidence to serve as a basis for expressing opinions on the financial statements and supplementary information; and

**WHEREAS**, the auditor found a deficiency in internal controls existed and it was a material weakness, and the auditor stated the city did not have internal controls in place to ensure that key accounting functions were being performed in a timely manner and that proper accounting records were kept. Functions that were not timely were recording and depositing of cash receipts and reconciliations, especially bank and payroll reconciliations. Missing records included the city's utility deposits policy and support for the nature of cash receipts; and

**WHEREAS**, a material weakness is severe and important enough to merit attention by those charged with governance; and

**WHEREAS**, an adopted plan of action is required for all financial statements of audit deficiencies and is required to be filed with the Oregon Secretary of State.

NOW THEREFORE BE IT RESOLVED by the Siletz City Council a Plan of Action has been prepared by staff and reviewed by this body and a copy of that plan is being filed with the Secretary of State according to (ORS 297.466(2)) .

**Adopted and Approved** by the City Council for the City of Siletz and signed by the Mayor this 21st day of October 2024.



Mayor Will Worman

ATTEST:



City Recorder



P.O. Box 318  
Siletz, OR 97380



Ph. (541) 444-2521  
Fax (541) 444-7371



October 21, 2024

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

### **Plan of Action for the City of Siletz**

The City of Siletz respectfully submits the following corrective action plan in response to deficiencies reported in our audit of the fiscal year ended June 30, 2022. The audit was completed by the independent auditing firm Aldrich CPA's + Advisors LLP and reported the deficiencies listed below. The plan of action was adopted by the governing body at their meeting on October 21, 2024, as indicated by the signatures below.

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

#### **Deficiency #1**

Type of deficiency: Material Weaknesses

The City did not have internal controls in place to ensure that key accounting functions were being performed in a timely manner and that proper accounting records were kept. Functions that were not timely included recording and depositing cash receipts and reconciliations, especially bank and payroll reconciliations. Missing records include the City's utility deposit policy and support for nature of cash receipts. As a result, the financial statements are unreliable, and fraud may have occurred that was not prevented nor detected.

#### **A. The Plan of Action**

The City has designed and implemented internal control such that bank statement reconciliations are timely prepared and reviewed no later than the 5<sup>th</sup> of each month. The City has designed and implemented internal controls over cash receipts and handling such that there exists an appropriate and effective separation of duties and oversight directly of the process. The General Admin Assistant receives mail. The mail is distributed to the Admin Billing Assistant who then enters the payment received directly into the Vision accounting software program. Reports of amounts entered are provided to the City Recorder for review and the final deposit into the accounting system. The City has put into place online bill pay, through Invoice Cloud which now accesses the accounts and deposits directly into the banking system as well as the accounting

system. Each morning a review is made by the front office which payments have come in over night and a snippet from the software is made for review by the City Recorder and verified daily the deposit was made into the system. Cash that comes across the counter is entered daily into the accounting system by the Billing Admin and given to the General Admin person to prepare a cash deposit that will be physically taken to the bank. The city uses "WebCapture" for the deposit of all physical checks that are received. Checks are deposited electronically into WebCapture a minimum of weekly. The city has outsourced the payroll processing and related liabilities. There is appropriate review and approval of payroll by the mayor who is independent of processing.

B. Timeframe for (or date of) implementation

These actions have already been put in place and are currently the internal controls in place.



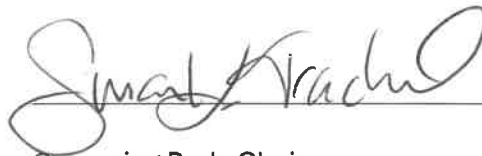
Signature Mayor



Print Name and Title



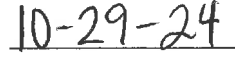
Date



Governing Body Chair



Print Name and Title




Date

ATTEST:



City Recorder



Printed Name and Title

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council  
City of Siletz  
Siletz, Oregon

### **Report on the Audit of the Financial Statements**

#### ***Disclaimer of Opinions***

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Siletz (the City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

We do not express an opinion on the financial statements of the City of Siletz referred to above. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

#### ***Basis for Disclaimer of Opinions***

We are unable to provide opinions on the financial statements and supplementary information because certain records and supporting data were not available for our audit. Due to turnover of the City's employees, proper documentation was not retained to permit the application of auditing procedures. Therefore, we were not able to obtain sufficient appropriate audit evidence to serve as a basis for expressing opinions on the financial statements and supplementary information.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our responsibility is to conduct an audit of the City's financial statements in accordance with auditing standards generally accepted in the United States of America and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinions section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on these financial statements.

We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

## INDEPENDENT AUDITOR'S REPORT, CONTINUED

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules, as listed in the table of contents under required supplementary information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinions section of our report, it is inappropriate to, and the auditor does not, express an opinion on the budgetary comparison schedules.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Because of the significance of the matter described in the Basis for Disclaimer of Opinions section of our report, it is inappropriate to, and the auditor does not, express an opinion on the supplementary information.

### **Reports on Other Legal and Regulatory Requirements**

#### ***Other Reporting Required by Oregon State Regulations***

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated September 3, 2024, on our consideration of the City's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

*Aldrich CPAs + Advisors LLP*

By:



Andrew Maffia, CPA, Partner  
Salem, Oregon  
September 3, 2024

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS**

To the Honorable Mayor and City Council  
City of Siletz  
Siletz, Oregon

We have audited the basic financial statements of the City of Siletz (the City) as of and for the year ended June 30, 2022, and have issued our report thereon dated September 3, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions, and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing, nothing came to our attention that caused us to believe the City was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except as follows:

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

- ORS 294.438 requires the financial summary portion of the LB-1 to agree to the amounts presented in the detail budget sheets. The financial summary LB-1 showed 2021-2022 adopted budget total resources of \$2,666,013. The budget document showed 2021-2022 adopted budget total resources of \$2,706,013.
- Expenditures in the following funds exceeded appropriations for the year ended June 30, 2022:

Fund	Budget Category	Budget	Actual	Overexpenditure
General	Materials and services	\$83,000	\$164,013	\$(81,013)
Street	Materials and services	15,250	24,030	(8,780)

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS,  
CONTINUED**

**OAR 162-10-0230 Internal Control**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain a deficiency in internal control, described in a separate letter to the City Council, that we consider to be a material weakness.

**Restriction on Use**

This report is intended solely for the information and use of the City Council and management of the City of Siletz and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

*Aldrich CPAs + Advisors LLP*

By:



Andrew Maffia, CPA, Partner  
Salem, Oregon  
September 3, 2024