

**RESOLUTION NO. 2024-01**

**A RESOLUTION ADOPTING PLAN OF ACTION FOR 2022-2023  
FISCAL YEAR AUDIT FINDINGS**

**WHEREAS**, the City's audit of the fiscal year ending June 30, 2023 was completed by the independent auditing firm, Koontz, Blasquez & Associates, P.C.; and

**WHEREAS**, the audit report included deficiencies as indicted in the attached Exhibit A; and

**WHEREAS**, the State requires that municipalities adopt a plan of action to address any deficiencies and file the plan with the Secretary of State.

**NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:**

**Section 1.** The City of Rockaway Beach City Council adopts the Plan of Action for 2022-2023 Fiscal Year audit findings, attached as Exhibit A.

**Section 2.** This Resolution shall be effective immediately upon adoption.

**APPROVED AND ADOPTED BY THE CITY COUNCIL THE 10TH DAY OF JANUARY 2024.**

APPROVED

  
Charles McNeilly, Mayor

ATTEST

  
Melissa Thompson, City Recorder



## City of Rockaway Beach, Oregon

276 S. Highway 101, PO Box 5

Rockaway Beach, OR 97136

503.374.1752

January 10, 2024

Office of the Secretary of State  
Audits Division  
255 Capitol Street NE, Suite 180  
Salem, Oregon 97310

### **Plan of Action for the City of Rockaway Beach**

The City of Rockaway Beach respectfully submits the following corrective action plan in response to deficiencies reported in our audit of the fiscal year ended June 30, 2023. The audit was completed by the independent auditing firm, Koontz, Blasquez & Associates, P.C., Albany, Oregon. The plan of action was adopted by the governing body of the city at their meeting on January 10, 2024, as indicated by the signatures below.

The deficiencies are discussed below with the corrective action plan listed for each:

#### **1. Significant Deficiency: Revenue Recognition**

- a. **Description:** During the audit, the auditor noted year-end revenue for transient room taxes were recorded as cash receipts instead of receivables. Recording uncollected cash may result in a material misstatement of balance sheet accounts in one or more fiscal years.

**Recommendation:** The auditor recommended that a receivable is recorded in the period of recognition and then offset when cash is received.

- b. **Plan of action:** City will record receivables in their period of recognition and then offset when cash is received. The city will modify its monthly general ledger procedure checklist to include balancing receivables.

- c. **Timeframe for, or date of, implementation:** January 11, 2024

#### **2. Significant Deficiency: Cash Reconciliation**

- a. **Description:** During the audit, the auditor noted that the ending cash balance did not agree to the reconciled statements. Failure to reconcile cash accounts accurately to monthly statements could result in a material misstatement of cash due to fraud or error.

**Recommendation:** The auditor recommended that the city compare prepared monthly reconciliations to the general ledger to ensure accurate balances of the cash accounts.

- b. **Plan of action:** City will compare monthly reconciliations to the general ledger to ensure accurate balances. The city will modify its monthly accounts payable procedure checklist to include monthly reconciliations to the general ledger to ensure accurate balances.

- c. **Timeframe for, or date of, implementation:** January 11, 2024

**3. Significant Deficiency: Preparation of Financial Statements in Accordance with Generally Accepted Accounting Principles (GAAP)**

**a. Description:** Auditing standards require the auditor to assess the internal control system of the city. In addition, the standards require the auditor to extend this assessment of controls over financial statement preparation. Proper controls over financial statement preparation requires adequate knowledge and involvement to detect errors and omissions in the financial statements. The City relies on the auditor to assist in drafting the financial statements. In addition, the auditor verifies that the financial statements, including note disclosures, contain all of the elements required to comply with accounting principles generally accepted in the United States of America. The auditor believes that the City has staff with the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards; however, the auditor's assistance in drafting the financial statements described above does produce a significant deficiency in the City's internal control system.

**Recommendation:** The auditor does not recommend any change in the preparation of the financial statements, but the council should be aware of this deficiency and stress the important to management of a thorough review of the financials prior to management's approval of the audit.

**Plan of action:** The City of Rockaway Beach will continue to thoroughly review the financials prior to management's approval of the audit.

**b. Timeframe for, or date of, implementation:** Annually

**4. Significant Deficiency: Restatement of Governmental Activities Net Position**

**a. Description:** During the audit, it was detected that capital asset items were donated to the city, but not appropriately recorded. Lack of recording and tracking all capital assets could result in a misstatement of the city's financial statements. A restatement of beginning new position was necessary, as the capital asset items were acquired in previous periods.

**Recommendation:** The auditor recommended that the city management appropriately track and record all capital asset transactions.

**b. Plan of action:** City Financial Policies will be updated to include a procedure for tracking of capital asset acquisition by donation.

**c. Timeframe for, or date of, implementation:** April 10, 2024

Signed by:

\_\_\_\_\_  
Luke Shepard, City Manager

\_\_\_\_\_  
Date

\_\_\_\_\_  
Charles McNeilly, Mayor

\_\_\_\_\_  
Date