

RESOLUTION NO. 2025-01

**A RESOLUTION ADOPTING PLAN OF ACTION FOR 2023-2024
FISCAL YEAR AUDIT FINDINGS**

WHEREAS, the City's audit of the fiscal year ending June 30, 2024 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, THE CITY OF ROCKAWAY BEACH RESOLVES AS
FOLLOWS:**

Section 1. The City of Rockaway Beach City Council adopts the Plan of Action for 2023-2024 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 15TH DAY OF JANUARY
2025.**

APPROVED



Charles McNelly, 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 15, 2025

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, 2024. 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 15, 2025, 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 01, 2025

2. 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 importance to management of a thorough review of the financials prior to management's approval of the audit.

- b. **Plan of action:** The City of Rockaway Beach considers the cost of staffing the financial expertise to correct this deficiency to outweigh the benefit, and has determined that it is more beneficial to continue to outsource these matters to external experts.
- c. **Timeframe for, or date of, implementation:** January 1, 2025

3. Significant Deficiency: Changes Subsequent to Financial Audit

- a. **Description:** During the audit, it was noted that changes were made to the prior year's activity after the financial audit was performed. Expenses were recorded, but not provided to the auditor, which could result in an overstatement of fund balances.

Recommendation: The auditor recommended that management ensure that all activity is recorded in the City's financial statements.

- b. **Plan of action:** The accounting software has the capability of locking periods once closed. This feature will be used moving forward so that closed periods will not be able to have expenditures posted to them.
- c. **Timeframe for, or date of, implementation:** January 1, 2025

Signed by:

Luke Shepard, City Manager

Date

Charles McNeilly, Mayor

Date