



RESOLUTION 2023-029

**ADOPTING A PLAN OF ACTION FOR REVENUE RECOGNITION,
CUT-OFF OF EXPENDITURES AND RECORDING OF REVENUE IN THE APPROPRIATE FUNDS**

WHEREAS, during the audit of the fiscal year 2021-22 financial statements it was determined that funds received in advance as revenue had not been earned and therefore was incorrectly reported as revenue; and

WHEREAS, the corrections related to these were significant enough to be material to the financial statements and a deficiency in internal control thereby identified by the auditors as a material weakness; and

WHEREAS, during the audit of the fiscal year 2021-22 financial statements it was determined that expenditures paid from the General Fund were incorrectly recorded in the proper fiscal year; and

WHEREAS, it was identified by the auditors as a significant deficiency in internal control; and

WHEREAS, during the audit of the fiscal year 2021-22 financial statements it was determined that revenue was incorrectly recorded in the appropriate proprietary funds; and

WHEREAS, it was identified by the auditors as a significant deficiency in internal control; and

WHEREAS, the Sherwood City Council has received and reviewed the 2021-2022 financial statement audit; and

WHEREAS, ORS 297.466(2) requires the governing body to adopt a plan of action to address these deficiencies,

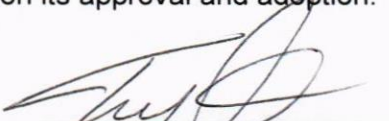
NOW, THEREFORE, THE CITY OF SHERWOOD RESOLVES AS FOLLOWS:

Section 1. The Plan of Action for Sherwood Oregon, attached hereto as Exhibit A, is hereby approved and adopted.

Section 2. This Resolution shall be effective immediately upon its approval and adoption.

Attest:


Sylvia Murphy, MMC, City Recorder


Tim Rosener, Mayor



Home of the Tualatin River National Wildlife Refuge

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Renee Brouse
Taylor Giles
Doug Scott
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City Manager
Keith Campbell

May 2, 2023

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

Re: Plan of Action for Sherwood Oregon

Sherwood Oregon respectfully submits the following corrective action plan in response to deficiencies reported in our audit of fiscal year ended June 30, 2022. The audit was completed by the independent auditing firm Talbot, Korvola & Warwick, LLC. and reported the deficiencies listed below. The plan of action was adopted by the governing body at their meeting on May 2, 2023, as indicated by signatures below.

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

1. Deficiency #1
 - a. Type of deficiency (Material Weakness) – “While performing audit procedures, a deficiency in internal control related to revenue recognition was identified. The City recorded grant amounts \$2,207,711 in Grants Fund and \$1,665,000 in the Broadband Fund, received in advance as revenue without corresponding eligible expenditures. Without adequate controls over revenue recognition, there is a reasonable possibility that a significant misstatement or error would not be prevented or detected and corrected on a timely basis.”
 - b. Document the plan of action – Resolution 2023-029 to review any new revenue source to assist in the appropriate recording of the financial transaction. Additionally, staff has prepared a year-end checklist to ensure a reconciliation occurs to properly record revenue as earned.
 - c. Timeframe for (or date of) implementation: May 2, 2023.

2. Deficiency #2

- a. Type of deficiency (Significant Deficiency) – “While performing audit procedures, we noted errors related to cut-off of expenditures that the City’s internal controls did not prevent, or detect and correct, on a timely basis. Without adequate controls over cut-off, there is a reasonable possibility that a significant misstatement or error would not be prevented, or detected and corrected, on a timely basis,”
- b. Document the plan of action: Resolution 2023-029, staff has prepared a year-end checklist which spells out the order of steps necessary for adequate controls over expense accrual to avoid similar issues in the future.
- c. Timeframe for (or date of) implementation: May 2, 2023.

3. Deficiency #3

- a. Type of deficiency (Significant Deficiency) – “While performing audit procedures, we noted errors related to recording of revenue in the appropriate funds that the City’s internal controls did not prevent, or detect and correct, on a timely basis. Without adequate controls over the recording of revenue in the appropriate fund, there is a reasonable possibility that a significant misstatement or error would not be prevented, or detected and corrected, on a timely basis.”
- b. Document the plan of action: Resolution 2023-029, staff will perform analytical procedures of major fund account balances at year end; document and investigate any transaction that does not meet reasonable expectations.
- c. Timeframe for (or date of) implementation: May 2, 2023.

Tim Rosener, Mayor

Sylvia Murphy, MMC, City Recorder