

CITY OF
GEARHART

Staff Report

For City Council Meeting - 1/3/2024

Subject - New Business - Audit Compliance

Synopsis: As mentioned during Accuity's report, an area of improvement noted was the City's organizational structure. This is a common find in smaller organizations where employees have many roles and limited financial resources.

A response to the State regarding this type of finding has always existed, but the majority of municipalities were not providing one. In response, the Secretary of State's office is now asking municipal auditors to assist and encourage their clients with filing the required response. Attached are both the letter from Accuity regarding the finding, and the City's response to the State.

Recommended Motion: N/A

Legal Analysis: N/A

Financial Analysis: N/A

Respectfully Submitted,


Justine Hill
City Treasurer

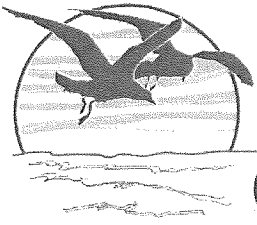


Dear Justine,

You had audit findings that require you to file a plan of action with the Secretary of State's office. In order to assist you with compliance, we have assembled these instructions, and are providing you with a template word document that you can complete and submit.

Instructions for submission:

1. Open word document and update the yellow highlighted fields with the correct dates
2. Update the word document plan of action for each finding (highlighted green)
 - a. For some findings, it may be appropriate to list that due to staffing limitations the finding will remain for the foreseeable future, but additional oversight is in place to mitigate risk.
3. Update the timeframe for each finding (highlighted blue)
 - a. For some findings, if you are unable to correct the finding, you will list that there is no known timeframe
4. Add entity letterhead to header, or print on letterhead
5. Present at a board/council meeting and get plan of actions approved
6. Collect required signatures
7. File by emailing signed form to municipalfilings.sos@oregon.gov



CITY OF
GEARHART

January 4, 2024

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

Plan of Action for City of Gearhart Municipality

The City of Gearhart staff respectfully submits the following corrective action plan in response to the deficiency reported in our audit of fiscal year ended June 30, 2023. The audit was completed by the independent auditing firm Accuity, LLC and reported the deficiency listed below. The plan of action was adopted by the governing body at their meeting on January 3, 2024 as indicated by signatures below.

The audit deficiency is listed on the back page of this letter.

1. Deficiency 1 – *Organizational Structure*

- a. City staff are aware of the potential control deficiency due to our limited number of staff. The City is unable to add additional staffing due to fiscal constraints.
- b. City staff will continue to adhere to already established internal controls to assist with providing reasonable assurance of compliance, transparency, and prevention of fraud. City staff are required to provide monthly reports (e.g., *Expenditure vs Revenue; Check Detail; Gross Salary*) for the City Council to review, which are also available to the public. City staff work diligently to establish segregation of duties coupled with procedural controls. Functions are separated to the best of our ability and monitored on a regular basis.

Chad Sweet, City Administrator

Signature

Kerry Smith, Mayor

Signature

Justine Hill, Treasurer

Signature

Findings:

1. *Organizational Structure*

The size of the City's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that City Councilors remain involved in the financial affairs of the City to provide oversight and independent review functions.