

**CITY OF OAKRIDGE
LANE COUNTY, OREGON**

MANAGEMENT LETTER

FOR THE YEAR ENDED JUNE 30, 2021



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Tigard, OR 97223



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May 2, 2022

To the Honorable Mayor and City Council
City of Oakridge
Lane County, Oregon

In planning and performing our audit of the basic financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of City of Oakridge (the City) as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we do not express an opinion on the effectiveness of the internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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 financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in internal control to be significant deficiencies:

1. Journal Entries

During our testing we noted that there was no assigned reviewer for manual journal entries, and that all but five manual journal entries showed no evidence of approval. We recommend that manual journal entries are reviewed by a second individual independent of the person responsible for entering journal entries, and that review be documented with a signature and date to enhance internal controls.

2. Bank Reconciliations

During our testing of bank reconciliation we were made aware that there is no reviewer for bank reconciliations prepared by the finance director. We recommend that bank reconciliations are reviewed by a second individual independent of the person who prepares the reconciliations, and that review be documented with a signature and date to enhance internal controls.

Other Matters – Best Practices

1. Governing Body Monitoring

An integral part of internal controls is the monitoring of financial activities by those charged with the governance (the Board). This can be accomplished by asking specifically designed questions to senior staff, by reviewing basic financial statements and projections and by comparing financial results to pre-established benchmarks. While the Board participates in the budget adoption process and receives staff prepared basic financial statements, these only partially fulfill the monitoring function. We recommend that the Board articulate their monitoring practices and record in the minutes when those activities occur.

2. Stale-Dated Checks

We noted several stale dated checks dating back to 2010. We recommend that the City implement a policy that conforms to Oregon Unclaimed Property Law, which includes making and documenting efforts to find owners with property valued at \$100 or more and remitting unclaimed property to the State by the required time frame. See the full requirements for unclaimed property at Oregon.gov.

3. Intellectual Property

In the documents provided to us, we saw no indication of a City policy regarding the ownership of intellectual property developed by staff either using City assets or during employment hours at the City. We recommend the creation of a City policy, if one is not already in place, to address the potential creation of patents, copyrights, and other claims on intellectual property using City assets or time.

4. Fidelity Insurance Coverage

In reviewing fidelity (employee honesty) insurance coverage, we noticed that the cash balances carried are in excess of the insurance coverage. We recommend that the Board examine this exposure risk and make a determination as to the amount of insurance coverage they feel is prudent in regard to their oversight.

5. Duplicate Invoice Entry

During accounts payable testing, we noted that there were checks in the accounts payable aging report as of June 30, 2021 that had already been paid during the year. After further investigation, it was determined that these were the result of duplicate invoice entries into Asyst. We recommend routine monitoring of Asyst entries to avoid and correct duplicate invoice entries.

6. Minimum Number of Appropriated Funds

We noted that the City has more than the legally required number of funds. According to NCGA Statement 1, Paragraph 4, "Governmental units should establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established, however, since unnecessary funds result in inflexibility, undue complexity, and inefficient financial administration." We recommend that the City consider closing funds that are not required to be in a separate fund or consolidating them into related funds. Both GFOA (Government Finance Officers Association) and GASB (Governmental Accounting Standards Board) encourage governments to use the minimum number of funds.

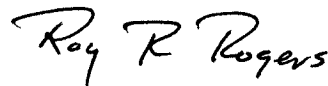
7. Disbursement Documentation

In our testing of disbursements, we noted several instances in which there was no approval or backup documentation for the disbursement. We recommend that each disbursement goes through a documented approval process and that all supporting documentation is recorded and stored for future reference.

8. Revenue and Receivable Balances

In our testing of both revenue and receivable funds, significant changes in account balances were unable to be explained by staff. We recommend that all income streams be supported by documentation that is stored for future reference.

This communication is intended solely for the information and use of management and the Board of Directors, and is not intended to be, and should not be, used by anyone other than these specified parties.



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