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Memorandum Date: December 12, 2007
Order Date: December 12, 2007

TO: Board of County Commissioners

DEPARTMENT: Management Services

PRESENTED BY: Kay Blackburn, Financial Services Manager

AGENDA ITEM TITLE: IN THE MATTER OF ACKNOWLEDGING RECEIPT OF THE LANE COUNTY, OREGON COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND SETTING FORTH THE CORRECTIVE MEASURES FOR THE DEFICIENCIES THEREIN

I. MOTION

MOVE APPROVAL OF ORDER AND RESOLUTION 07-12-12-XX IN THE MATTER OF ACKNOWLEDGING RECEIPT OF THE LANE COUNTY, OREGON COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007 AND SETTING FORTH THE CORRECTIVE MEASURES FOR THE DEFICIENCIES THEREIN

II. AGENDA ITEM SUMMARY

The Board is being asked to accept the County's comprehensive annual financial report for the fiscal year ended June 30, 2007. The County is required by state law to have an annual audit conducted of its accounts and fiscal affairs by an independent accountant licensed by the State of Oregon. The County is further required to submit a copy of the report to the Secretary of State.

III. BACKGROUND/IMPLICATIONS OF ACTION

A. Board Action and Other History

The County is required by state law to have an annual audit conducted of its accounts and fiscal affairs by an independent accountant licensed by the State of Oregon. In accordance with ORS 297.465(2), a copy of that audit report shall be furnished to each person who was a member of the governing body at the end of the fiscal year and to each member of the current governing body. The Board has historically reviewed and accepted the annual audit in December of each year.

B. Policy Issues

In accordance with APM Chapter 2 Section 6, audits conducted by external firms are submitted to the Finance and Audit Committee and after review by that committee, the reports will be sent to the Board for final review and acceptance. Finance and Audit reviewed the report on December 3, 2007.

C. Board Goals

Preparation and submittal of the annual financial report and audit supports the goal of providing efficient and effective financial and administrative support.

D. Financial and/or Resource Considerations

None.

E. Analysis

Moss Adams, LLP, has issued an unqualified opinion on the basic financial statements of Lane County, Oregon, which means they are fairly presented, in all material respects, for the fiscal year ended June 30, 2007. The audit includes a review of compliance with OMB Circular A-133 covering federal grants, and no exceptions to compliance were noted. Additionally, no exceptions to compliance with Oregon Local Budget Law were noted.

Two findings were noted in the review of the County's internal control over financial reporting. Both findings relate to items which should have been accrued back to the June 30, 2007 cut-off date and were not identified in the internal review process. Finance staff will work with the Internal Auditor and department staff to strengthen the year-end review process for accruals.

F. Alternatives/Options

The County is required to file a copy of the Comprehensive Annual Report with the Secretary of State by December 31, 2007. The only alternative, if the Board wishes to reject the report as presented, would be to request an extension of time to file the annual report with the Secretary of State.

IV. TIMING/IMPLEMENTATION

Financial Services staff will file the annual report with the Secretary of State prior to December 31, 2007.

V. RECOMMENDATION

The Financial Services Manager recommends the Board accept the annual financial report and approve the Order.

VI. FOLLOW-UP

Financial Services Division staff will report back to Finance and Audit Committee on the corrective measures undertaken to address the internal control deficiencies.

VII. ATTACHMENTS

Attachment A – Board Order 07-12-12-XX

Attachment B – Lane County, Oregon Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER AND RESOLUTION) IN THE MATTER OF ACKNOWLEDGING RECEIPT OF
) THE LANE COUNTY COMPREHENSIVE ANNUAL
) FINANCIAL REPORT (CAFR) FOR THE YEAR ENDED
) JUNE 30, 2007, AND SETTING FORTH THE CORRECTIVE
) MEASURES FOR DEFICIENCIES CONTAINED THEREIN

WHEREAS, ORS 297.465(2) requires that a copy of the audit report be furnished to each person who was a member of the governing body at the end of the calendar or fiscal year and to each member of the current governing body; and

WHEREAS, ORS 297.446(2) requires that upon receipt of an audit report under ORS 297.465 the governing body of a county shall determine the measures it considers necessary to correct any deficiencies disclosed in the report and shall adopt a resolution setting forth the corrective measures it proposes and the period of time estimated to complete them; and

WHEREAS, ORS 297.465(3) requires the municipal corporation shall file one copy of its audit report with the Secretary of State.

WHEREAS, ORS 297.466 (3) requires that within 30 days after a county files a copy of its audit report with the Secretary of State under ORS 297.465 a copy of the resolution prepared under the preceding section shall also be filed; and

WHEREAS, the independent auditor's report noted no exceptions to compliance with Local Budget Law, but noted internal control deficiencies;

IT IS HEREBY ORDERED that the Board of Commissioners acknowledges receipt of the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007; and it is

FURTHER ORDERED that a copy of the audit report be filed with the Secretary of State; and it is

FURTHER ORDERED AND RESOLVED that the Financial Services Division shall undertake the corrective measures agreed upon in Attachment A.

Dated this 12th day of December, 2007.

APPROVED AS TO FORM
Date _____ Lane County

OFFICE OF LEGAL COUNSEL

FAYE STEWART, CHAIR
Board of County Commissioners

THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER 07-12-12-xx ATTACHMENT A

Agreed upon corrective measures:

- **Finding 2007-01:** Material weakness in internal controls for monitoring of expenditures for year-end recognition.

Remedy: Financial Services Division will revise fiscal year end training and communication to department personnel and will institute a strengthened review of subsequent disbursements.

- **Finding 2007-02:** – Significant deficiency in internal controls for monitoring of revenues for year-end recognition.

Remedy: Financial Services Division will work with the County Internal Auditor to analyze opportunities for centralizing financial services and will continue efforts to implement a centralized accounts receivable system.