

December 19, 2023

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

Plan of Action for The City of Wheeler

The City of Wheeler respectfully submits the following corrective action plan in response to deficiencies reported in our audit of the fiscal year ended June 30, 2023. The audit was completed by the independent auditing firm Accuity, LLC and reported the deficiencies listed below. The plan of action was adopted by the governing body at their meeting on December 19, 2023, as indicated by signatures below.

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

1. 2023-01 (Repeat Finding)
 - a. Adequate segregation of duties in most areas was impractical due to the limited number of employees. The City has, however, developed alternative procedures, which mitigate this condition to some extent.
 - b. Management generally agrees with this determination, and the deficiency will most likely remain in subsequent years due to lack of staffing. The City does strive to provide sufficient documentation to support all financial transactions.
 - c. No plan of action will be taken at this time.
2. 2023-02 (Repeat Finding)
 - a. City staff lacks the ability to draft financial statement in accordance with the method selected by the City (modified cash), including note disclosures and required schedules.
 - b. Management generally agrees with this determination. The State of Oregon has adopted statues that mitigate the identified deficiency by requiring municipal auditing firms to assist with and/or prepare financial statements for audit clients in accordance with the modified cash basis of accounting.
 - c. No plan of action will be taken at this time.

3. 2023-03

- a. Review and approval of monthly timesheets.
- b. The City has had a 100% turnover of staff, and acknowledges this, but cannot explain why this happened. The City currently has two employees fill out timesheets, both of which are signed by the employee and approved by management.
- c. Implemented midway through Fiscal Year 2021-2022

4. 2023-04

- a. Utility billing rates were not updated to current year rates for the entirety of the 2022-2023 fiscal year.
- b. The City has ensured that water billing rates were updated appropriately at the beginning of the 2023-2024 fiscal year. The City will implement an internal control requiring billing rates to be updated and approved by both the Finance Manager and the City Manager at the beginning of each fiscal year to avoid this issue in the future.
- c. New internal control implemented beginning of 2024/2025 fiscal year

5. 2023-05

- a. Credit card receipts missing
- b. The City has had a 100% turnover of staff, and acknowledges this, but cannot explain why it happened. The City does currently attach all receipts to credit card invoices and an accounts payable claim form, which gets signed by the City Manager and two check signers. The invoices and claim form are then attached to the payment stubs and filed away for safekeeping.
- c. Implemented midway through Fiscal Year 2021-2022

6. 2023-06

- a. Late fees being assessed and paid on credit card bills
- b. The City processes all payments, after receiving approval from appropriate check signers, at the end of each week, to avoid incurring late charges. The City feels that, while internal controls were not operating appropriately in the past, they are working as intended currently to ensure all payments are made in a timely manner.
- c. No additional plan of action will be taken at this time.

City Council Chair, Karen Matthews

Signature

Mayor. Clif Kemp

Signature

City Manager, Pax Broder

Signature

**CITY OF WHEELER
Tillamook County, Oregon**

June 30, 2023

Finding Number	2023-001 (Repeat finding)
Finding Title	Adequate segregation of duties in most areas was impractical due to the limited number of employees. The City has, however, developed alternative procedures, which mitigate this condition to some extent.
Type of Finding	Significant Deficiency
Criteria	Ideally, staffing levels should allow for all areas of accounting responsibility (authorization or approval, custody of assets, recording transactions and reconciliations) to be performed independent of each other.
Condition	Due to limited staffing, complete segregation is not possible within the City.
Cause of Condition	Finance staff is competent, capable and performs daily and monthly functions very well. Due to the size of the City, adding finance staff is not a feasible option, so the finding is created.
Potential Effect of Condition	There is a greater opportunity for misstatements in financial records, whether from fraud or error, to occur.
Prevalence	Systemic
Recommendation	We do not recommend any changes in staffing, but the City Council should be aware of this deficiency and remain involved in mitigating controls that have been put into place.

CITY OF WHEELER
Tillamook County, Oregon

June 30, 2023

Finding Number	2023-002 (Repeat finding)
Finding Title	City staff lacks the ability to draft financial statements in accordance with the modified cash basis of accounting including note disclosures and required schedules
Type of Finding	Significant Deficiency
Criteria	Preparing the financial statements prior to the commencement of a financial audit can be a valuable internal control to prevent misstatements in the preparation and disclosure of the financial statements.
Condition	Finance staff does not prepare their own financial statements, and instead has contracted with our office to prepare the financial statements.
Cause of Condition	Finance staff is competent, capable and performs daily and monthly functions very well. However, their experience in preparing modified cash basis financial statements and related disclosures is limited.
Potential Effect of Condition	Finance staff may not be able to prevent or detect a material misstatement in the preparation and disclosure of the financial statements. Misstatements in financial statements may include not only misstated financial amounts, but also the omission of disclosures required by the cash basis of accounting.
Prevalence	Systemic
Recommendation	We do not recommend any changes in the preparation and disclosure of the financial statements, but the City Council and management of the City should be aware of this deficiency and stress the importance of a thorough review of the financial statements prior to approval of the audit.

CITY OF WHEELER
Tillamook County, Oregon

June 30, 2023

Finding Number	2023-003
Finding Title	Review and approval of monthly timesheets
Type of Finding	Significant Deficiency
Criteria	Employee timesheets should be reviewed and approved by a supervisor or a member of management to ensure the accuracy of time charged.
Condition	Lack of review and approval of monthly timesheets by a supervisor or management.
Cause of Condition	Lack of knowledge of internal control best practices.
Potential Effect of Condition	A lack of supervisory approval can allow errors in the time charges and allocated between funds to pass undetected.
Prevalence	Systemic
Recommendation	We recommend that all timesheets be signed by the employee and approved by a supervisor or management.

CITY OF WHEELER
Tillamook County, Oregon

June 30, 2023

Finding Number	2023-004
Finding Title	Utility billing rates were not updated to current year rates for the entirety of the 2022-2023 fiscal year.
Type of Finding	Significant Deficiency
Criteria	Utility billing rates used to bill customers should agree to Council approved rates each fiscal year.
Condition	The finance director is responsible for updating rates within the billing system. There is no review process to ensure the rates are updated annually.
Cause of Condition	Changeover in staffing, lack of awareness of annual changes in ordinance.
Potential Effect of Condition	Under billing of customers, revenue shortfalls in water funds.
Prevalence	Isolated - appears to have been missed only during the 22/23 fiscal year.
Recommendation	We recommend the City update billing rates, and implement an annual process to ensure review of billing rates within the system is occurring.

CITY OF WHEELER
Tillamook County, Oregon

June 30, 2023

Finding Number	2023-005
Finding Title	Credit card receipts missing
Type of Finding	Significant Deficiency
Criteria	Proper internal controls require each use of the credit card to be supported by receipts, as well as review and approval of reconciliations that contain all receipts.
Condition	During audit testing, no review was noted on multiple credit card statements as well as missing receipts.
Cause of Condition	Internal controls were not operating as designed.
Potential Effect of Condition	There is a greater opportunity for misstatements in financial records, whether from fraud or error, to occur.
Prevalence	Systemic
Recommendation	We recommend that City staff review internal controls over credit cards and ensure controls are operating as designed.

CITY OF WHEELER
Tillamook County, Oregon

June 30, 2023

Finding Number	2023-006
Finding Title	Late fees being assessed and paid on credit card bills
Type of Finding	Significant D efficiency
Criteria	The City should be timely in its payment of bills.
Condition	Credit card late fees were noted as paid in multiple months during the fiscal year.
Cause of Condition	The City's process for bill payment caused delays resulting in late fees.
Potential Effect of Condition	Taxpayer dollars being used to pay late fees is not prudent fiscal management.
Prevalence	Systemic
Recommendation	We recommend the City update its bill pay process to allow for credit card payments to be made timely.