



Oregon Secretary of State  
Audits Division

## FALL 2024 NEWSLETTER

The Division administers Municipal Audit Law, *Oregon Revised Statutes 297.405 to 297.990*, which requires Oregon's local governments consisting of approximately 1,800 cities, counties, school districts, and special districts, to comply with statutory annual financial reporting. The purpose of this newsletter is to update licensed municipal auditors on some of our recent efforts in administering Municipal Audit law and address other issues of interest to them and their clients.

### DESK REVIEWS

This year we reviewed a sample of fiscal year 2023 audit reports. Reports are randomly selected, although an effort is made to select reports from a variety of entity types and auditors, as well as review different entities from year to year. Historically, our goal in conducting desk reviews has been to provide timely feedback so that municipalities and auditors can make any necessary changes to improve annual financial reporting and accompanying audit engagements.

At the end of each review a letter was provided to the municipality and audit firm summarizing our findings. The findings fell into a variety of areas with most found in the basic financial statements and a few note disclosures.

### Independent Auditors Report

Some auditor reports were missing reference to an applicable opinion unit or financial statement presented in the report, such as a specific major fund or cash flows. Sometimes using a template or copying reporting from one year to the next can result in these types of errors.

Additionally, we noted more instances of auditor's reports that refer to the Minimum Standards report or a GAS report that did not also present a separate heading for "report on financial statements" at the beginning of the report as required.

### Financial Statements

One of the most common findings in school district reporting is mistakenly reporting sources of revenue at the summary level of *local, intermediate, state, and federal*. This is what the Department of Education requires for internal reporting purposes and is appropriate if presented as supplementary information. However, this does not meet GASB standards. Those classifications identify **who** instead of **what** are the sources of revenue. For example, *local* might include property taxes, interest income, tuition, fees, rental income, school activities, etc. *State* would include the state school fund, state grants, or other program distributions. School districts may use this classification if immediately indented below the revenue source.

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Another common finding this past year included missing categories of restricted net position/fund balance on statements or in notes. Restricted net position should be presented with identification of the categories of restriction.

### Note Disclosures

The majority of desk review findings are contained in the notes. In general, they fall into a few categories, some of which are repeated every year.

Many errors occur from not updating narratives year over year, or when new standards are implemented. We saw this in the current year primarily with the newer leases and SBITA reporting standards. It's also a common finding when reviewing Management's Discussion and Analysis.

Errors are also introduced into a report when standard boiler-plate language is used or borrowed from another report and not updated to be tailored to the individual government and reporting year. Commonly overlooked aspects are in the SSAP and include revenue recognition availability periods; types of transactions included in program revenues; defining operating and nonoperating revenues for proprietary funds; definitions of funds and fund types; and providing clear descriptions of the modifications to cash basis reporting used, if applicable.

Leases – Similar to last year, we reported many findings for outdated terminology (operating leases) and incorrectly reporting or disclosing lease assets and obligations in accordance with GASB 87.

Pensions - Not distinguishing the IAP is the defined contribution component of OPSRP is something we saw more this year than expected. The OPSRP is a hybrid plan with both defined benefit and defined contributions components.

### Compliance and Minimum Standards

As is common, we also acknowledged many violations of local budget law in the preparation, adoption, or execution of the budget as commented on by auditors. Violations are communicated to the Oregon Department of Revenue pursuant to ORS 294.505.

You'll notice that most of these findings are not new. In fact, many have been covered in prior newsletters and may be prevented by carefully implementing new GASB standards and a thorough quality review prior to report issuance.

### ONLINE FILING

Each year we work to update our online resources, forms, and instructions. This past year was no different; as a result of the 2023 legislative changes, we updated nearly every webpage, resource, and document. To ensure accurate reporting, please refer to the website each year and use the most current forms and instructions available. Any outdated forms you have on file should be discarded and replaced with updated online versions.

New forms required to be used as of January 1, 2024 include the following:

- Summary of Revenues and Expenditures form
- Online Fee payment schedule
- Report in Lieu of Audit

Auditors are required to provide a copy of audit findings as part of the annual filing. Our preference is to receive a copy of that communication as a separate document from the audit report. However, if the auditor has communicated findings and provided a copy of those communication within the audit report (such as in an attached GAS report or the Minimum Standards Report), this should be noted when submitting the report by selecting “other” on the SRE form and denoting the pages where the communication was provided within the audit report. If we do not receive a separate copy of the communicated finding or a comment that the finding is communicated within the body of the audit report, our annual summary report to the legislature will incorrectly report that the required communications (and possibly the plan of action) were not submitted as required.

## AUP REPORTING

By now you may be tired of hearing about this newer option for annual reporting. However, since this is the first year the option is available, we want to make sure everyone has the necessary information to implement it well.

OAR 162-040 includes the minimum standards for agreed-upon procedures (AUP) and the designated procedures required to be performed and reported on. Practitioners should consult the professional standards for attestation engagements; specifically AT-C Section 215. Practitioners may also consult the guidance posted on our [website](#) or as provided by the [OSCPA](#) when completing this work.

## FINAL THOUGHTS

It's been a busy couple of years, and I don't see many signs of things slowing down. There are standards and technology changes, staffing challenges, shifting business models, and other factors impacting our work on a daily basis. The changes prompted by the Division are not taken without much thought on the timing and impact to our community. We recognize the changes this past year take time to consider and implement and we appreciate your continued patience and feedback.

Contact us with questions or any suggestions you have to improve our information or processes.

## Questions?

Call our office at (503) 986-2255 or email [municipalfilings.sos@sos.oregon.gov](mailto:municipalfilings.sos@sos.oregon.gov)