

**CITY OF SANDY, OREGON
SINGLE AUDIT REPORT**

FOR THE YEAR ENDED JUNE 30, 2018

**MERINA
& COMPANY, LLP**

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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TABLE OF CONTENTS

Page

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for the Major Program, on Internal Control Over Compliance, and on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8

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**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

The Governing Body
City of Sandy, Oregon

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sandy, Oregon as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Sandy, Oregon’s basic financial statements, and have issued our report thereon dated January 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sandy, Oregon’s internal control over financial reporting (internal control) to determine the 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 City of Sandy, Oregon’s internal control. Accordingly, we do not express an opinion on the effectiveness of City of Sandy, Oregon’s internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weakness as item 2018-1.

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 entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Sandy, Oregon’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an

instance of noncompliance or other matters that are required to be reported under Government Auditing Standards, and which are described in the accompanying schedule of findings and questioned costs as items 2018-2.

City of Sandy, Oregon's Response to Findings

City of Sandy, Oregon's response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Sandy, Oregon's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



For Merina & Company, LLP
West Linn, Oregon
January 28, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
THE MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND
ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
THE UNIFORM GUIDANCE**

Honorable Mayor and City Council
City of Sandy, Oregon

Report on Compliance for the Major Federal Program

We have audited the City of Sandy, Oregon's compliance with the types of compliance requirements described in the *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on the City of Sandy, Oregon's major federal program for the year ended June 30, 2018. City of Sandy, Oregon's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Sandy, Oregon's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Sandy, Oregon's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Sandy, Oregon's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Sandy, Oregon, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying schedule of findings and questioned costs as item 2018-2. Our opinion on the major federal program is not modified with respect to these matters.

City of Sandy, Oregon's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Sandy, Oregon's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City of Sandy, Oregon, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Sandy, Oregon's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Sandy, Oregon's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sandy, Oregon, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Sandy, Oregon's basic financial statements. We issued our report thereon dated January 28, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting

and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



For Merina & Company, LLP
Tualatin, Oregon
January 28, 2019

CITY OF SANDY, OREGON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
As Of June 30, 2018

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Identifying Number</u>	<u>Expended</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Administration on Aging			
State of Oregon Senior and Disabled Services Office		148991-2	
VIA Clackamas County Social Services Division		16-003	
Age Cluster:			
Special Programs for the Aging-Title III, Part B	93.044		13,382
Special Programs for the Aging-Title III, Part C	93.045		19,349
Nutrition Services Incentive Program	93.053		2,463
Special Programs for the Aging-Title III, Part D	93.043		3,300
National Family Caregiver Support, Title III, Part E	93.052		5,536
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Transit Administration			
Oregon Department of Transportation	20.509	8095806810000	598,018
Formula Grants for Rural Areas			
Federal Transit Administration			
Oregon Department of Transportation	20.513	8095806810000	456,227 *
Enhanced Mobility of Seniors and Individuals With Disabilities			
Federal Highway Administration			
Oregon Department of Transportation	20.224	139768597	<u>40,701</u>
Federal Lands Access Program			
TOTAL			<u><u>\$ 1,138,976</u></u>

* Denotes major program

See Notes to the Schedule of Expenditures of Federal Awards

CITY OF SANDY, OREGON
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

Note 1. General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal financial assistance programs of the City of Sandy, Oregon for the year ended June 30, 2018.

Note 2. Significant Accounting Policies

Reporting Entity: The reporting entity is fully described in Note 1 to the City's basic financial statements.

Basis of Presentation: The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

For new awards or modifications of existing awards after December 26, 2014, the expenditures reported in the Schedule follow the cost principles contained in the Uniform Guidance. For existing awards prior to December 26, 2014, the expenditures follow the cost principles contained in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The costs principles indicate that certain types of expenditures are not allowable or are limited as to reimbursement. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting.

Note 3. Indirect Cost Rate

The City did not elect to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4. Subrecipients

There were no amounts paid to subrecipients by the City from federal funds for the year ended June 30, 2018.

CITY OF SANDY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

Significant deficiency(s) identified that are not considered to be material weaknesses?

Yes None reported

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal Control over major federal programs:

Material weakness(es) identified?

Yes No

Significant deficiency (s) identified that are Not considered to be material weaknesses?

Yes None reported

Type of auditor’s report issued on compliance for major federal programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?

Yes No

Identification of Major Federal Programs:

CFDA Number **Name of Federal Program or Cluster**

20.513 Enhanced Mobility of Seniors and Individuals with Disabilities

Dollar threshold used to distinguish between Type A Type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes No

CITY OF SANDY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section II – Financial Statement Findings

2018-1

Condition: The City has a lack of oversight and controls over several financial processes. Oversight and controls help prevent or detect and correct misstatements in a timely manner.

Criteria: Additional oversight, review procedures, and controls should be established to ensure there are no errors.

Effect: Adjustments were required to correct the accounting records and financial reporting. A lack of controls can result in errors not being caught in a timely manner. The lack of oversight and controls over financial processes results in a material weakness.

Cause: Due to the departure of the previous Finance Director during the fiscal year, a lack of controls was noted and recommendations regarding oversight and controls made in the prior fiscal year were not implemented.

Recommendation: We recommend additional oversight and review over financial processes to prevent errors. This will help ensure that the accounting records are properly maintained for accurate financial reporting.

Views of Responsible Officials and Planned Corrective Actions: As mentioned in finding, the previous Finance Director separated from service during the fiscal year. The HR Manager/Accountant was promoted into the Finance Director position, which left an unfilled position in the Finance Department. This resulted in the department being short staffed, as it took nearly three months to fill the open position.

Since the Finance Department has become fully staffed again, procedures have been put in place to ensure that there is adequate review and oversight in our day-to-day operations. For example, all journal entries are reviewed by someone other than the original preparer to ensure that there is appropriate documentation for the entry, as well as to be certain the entry is prepared correctly.

The Finance Department is working with other departments throughout the City to train staff on how to use the financial software, so that each department can record their own transactions in a more timely manner.

CITY OF SANDY, OREGON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

Section III – Federal Awards Findings and Questioned Costs

2018-2

Federal Program:

20.513 Enhanced Mobility of Seniors and Individuals with Disabilities

Department of Transportation

Pass-through entity- Oregon Department of Transportation

Criteria: The City should have written standards of conduct covering conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts in accordance with Uniform Guidance Section 318(c) and 45 CFR sections 52.203-13 and 52.203-16.

Condition: The City’s purchasing and contracting policies do not include explicit verbiage addressing conflict of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts.

Effect: Without the proper verbiage in the purchasing and contracting policies employees engaged in the procurement process could have a conflict of interest in the selection, award, and administration of contracts.

Cause: Due to the departure of the previous Finance Director during the year, the prior year recommendation to update the purchasing and contracting policies to include conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts was not implemented.

Recommendation: We recommend the City update the purchasing and contracting policies to include conflicts of interest and governing the performance of its employees engaged in the selection, award, and administration of contracts in accordance with Uniform Guidance Section 318(c) and 45 CFR sections 52.203-13 and 52.203-16.

Views of Responsible Officials and Planned Corrective Actions: When the City updated the purchasing and contracting policies in fiscal year 2018, certain verbiage was inadvertently left out of the update. The language that was missed related to conflicts of interest and governing the performance of employees engaged in the selection, award, and administration of contracts. Since this has been brought to our attention, the Finance Department is working on developing a “Conflict of Interest” policy which will include all of the necessary language to ensure employees follow the guidelines for selection, award, and administration of contracts.

Section IV – Schedule of Prior Federal Award Findings and Questioned Costs for the Years Ended June 30, 2017

None