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CORBETT SCHOOL DISTRICT NO. 39

This Corrective Action Plan is in response to the Single Audit Report for the fiscal year ended June 30, 2023 prepared by Umpqua Valley Financial, LLC.

Section II—Financial Statements Findings

This part of the Schedule of Findings and Questioned Costs presents audit findings classified as material weaknesses, significant deficiencies and material noncompliance that are related to the financial statements and are required to be reported in accordance with *Government Auditing Standards*.

Each finding has one of the following designations:

Material Weakness – A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the district's financial statements will not be prevented, or detected and corrected on a timely basis.

Significant Deficiency – A deficiency, or 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.

Material Noncompliance – Matters coming to the auditor's attention relating to the district's 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 the financial statement amounts.

Finding 2023-001 – Fiscal Management System, Strengthen Controls over Payroll-related Financial Reporting (Material Weakness)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting.

The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate, among other things, that a review is performed to verify the accuracy and completeness of financial information reported.

Condition: Internal controls that should have been designed and implemented for payroll processing procedures failed to prevent or detect and correct reporting errors.

Cause: Payroll system amounts for monthly accruals were not adequately updated. Additionally, monitoring of those procedures and reconciliation of payroll liabilities did not occur on a timely or regular basis.

Effect or Potential Effect: Payroll liabilities and related payroll expenditures were misstated.

Questioned Cost: No

Context: By not adequately updating the accrual amounts for health insurance costs, payroll benefit expenditures and the related liabilities were under-reported. Weak procedural and monitoring controls resulted in misstated financial data that was presented for audit. Inadequate reconciliations of payroll liabilities were provided to the auditor only after issuance of the financial statements.

Repeat of a Prior-Year Finding: Yes

Recommendation: Improvements should be made regarding design and implementation of payroll procedures, including monitoring of those procedures to ensure they are operating adequately and on a timely basis to reduce the risk of material misstatements to an acceptable level.

District's Response: The District acknowledges the deficiencies and its desire to make necessary internal control improvements.

Corrective Action Plan: The District has updated control procedures and is now completing regular payroll liability reconciliations by a qualified reviewer.

Planned Implementation Date: In progress.

Responsible Person: District Business Manager

Finding 2023-002 – Fiscal Management System, Strengthen Controls over Financial Reporting – IT Systems (Material Weakness)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate, among other things, that a review is performed to verify the accuracy and completeness of financial information reported.

Condition: Ineffective information technology system controls over financial reporting exist, particularly accounting for grant expenditures.

Cause: The District uses accounting software that does not allow for inclusion of account codes that distinguish between the expenditures for the numerous grants received, without creating function codes that complicates reporting.

Effect or Potential Effect: Without adequate accounting software, financial reporting, particularly for grant accounting, results in increased potential for erroneous grant reporting and financial statements. Compiling accounting data using the existing system and information resulted in the untimely recognition of the need for corrective journal entries. This resulted in delays in providing completed reports for audit, and also potentially for grant reporting throughout the fiscal year.

Questioned Cost: No

Context: The District's accounting software does not have the capacity for adequate account code numbers, based on the current demands for financial information.

Repeat of a Prior-Year Finding: No

Recommendation: The District should select accounting software that provides adequate systems to meet current demands for reporting.

District's Response: The District acknowledges the deficiencies.

Corrective Action Plan: The District will consider the acquisition and use of a different accounting system.

Planned Implementation Date: November 1, 2024

Responsible Person: District Business Manager

Finding 2023-003 – Fiscal Management System, Ensure Compliance with Federal Regulations Over Accounting Systems (Material Weakness)

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting. Internal controls should allow management or employees in the normal course of performing their assigned functions to prevent or detect material misstatements in the financial reporting of all district funds.

The Internal Control – Integrated Framework, published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and the U.S. Government Accountability Office Standards for Internal Control in the Federal Government specify that a satisfactory control environment is only effective when there are adequate control activities in place. Effective control activities dictate that a review is performed to verify the accuracy and completeness of financial information reported. A federal grant activity schedule captures amounts that must be accurate and complete in order to ensure the accuracy of the financial and federal information reported on such schedule to verify the accuracy and completeness of financial information reported.

Condition: Internal controls to prevent or detect and correct accounting entries for grant revenues and expenditures were weak or nonexistent. Corrective journal entries when made, were made untimely.

Cause: The District relied on individuals with insufficient training or support to record activities timely and accurately. The accounting records were retroactively revised for federal award and other reporting purposes, but late in the fiscal year or well after the fiscal year. District management did not have sufficient training or monitoring policies to recognize and correct the deficiency. prepared or recorded inaccurately throughout the year.

Effect or Potential Effect: Failure to accurately record transactions timely into the general ledger for Corbett School District No. 39, resulted in, or may have resulted in transactions not being properly reported in the district's financial statements and other critical reports including grant compliance reports. The potential for incorrect financial reporting, and untimely results, with the inability to rely on the general ledger for correct and timely information, may also cause misstatement of financial statements, and inappropriate reporting of federal awards.

Questioned Cost: No

Context: Due to improper recording of financial activity, and lack of timely corrective entries, numerous restatements of the general ledger were necessary for proper reporting of grants for the financial statements and the Schedule of Federal Awards.

Repeat of a Prior-Year Finding: No.

Recommendation: We recommend that Corbett School District No. 39 implement accounting staff training programs, or engage staff and consultants with sufficient time and skills, in order to enhance the District's abilities to develop and implement appropriate policies and procedures for accurately recording transactions, including federal award revenues and expenditures.

District's Response: The District concurs with the recommendation.

Corrective Action Plan: The District will provide training and additional staff or other support in order to devise and implement appropriate policies and procedures for accurately recording all financial transactions, including federal award revenues and expenditures. Additional internal control policies will be adopted and procedures implemented as on-going improvement efforts are made.

Planned Implementation Date: November 1, 2024

Responsible Person: District Business Manager

Section III—Findings and Questioned Costs for Federal Awards

This part of the Schedule of Findings and Questioned Costs presents audit findings required to be reported by *OMB uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 2 CFR 200*.

Each finding has one of the following designations:

Material Weakness – 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 material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Significant Deficiency – A *significant deficiency in internal control over compliance* is a deficiency, or 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.

Material Noncompliance – Conditions representing noncompliance with the provisions of laws, regulations, contracts or grant agreements, that in the auditor's judgment have a direct and material effect on a major federal program.

Immaterial Noncompliance – Conditions representing noncompliance with the provisions of laws, regulations, contracts or grant agreements, that do not have a direct and material effect on a major federal program.

Finding 2023-004 - Accounting for Grants, Schedule of Expenditures of Federal Awards, and Fiscal Management (Material Weakness)

CFDA Title and Number 84.425 Education Stabilization Fund

Name of Federal Agency: U.S. Department of Education

Criteria: CFR Part 200.508, CFR Part 200.510, Auditor Responsibilities state that the auditee must prepare the Schedule of Expenditures of Federal Awards, which must list individual Federal awards by Federal Agency, including the total Federal awards expended, name of the pass-through entity, CFDA number, and total amount provided to subrecipients. The information contained in the Schedule of Expenditures of Federal Awards should be derived from and relate directly to the underlying accounting and other records used to prepare the financial statements.

Condition: The Schedule of Expenditures of Federal Awards (SEFA) was presented for audit with values that were not reconciled with the general ledger.

Cause: The District relied on individuals with insufficient training or support to prepare the SEFA and ensure that it was reconciled with general ledger amounts. District management did not have sufficient training or monitoring policies to recognize and correct the deficiency.

Effect or Potential Effect: Errors in recording and reporting of revenues and expenditures of federal awards may not be detected and/or corrected. Because the Auditee's SEFA that was presented for audit was completed incorrectly, and not reconciled to the general ledger, the SEFA was materially misstated, prior to auditors' correction recommendations.

Questioned Cost: No

Context: Lack of adequate controls over the Schedule of Expenditures of Federal Awards and related accounting resulted in the following:

- SEFA was originally presented for auditors with incorrect information.
- Inadequate reconciliation between federal expenditures reported on the GL and the SEFA was presented.

Repeat of a Prior-Year Finding: No

Recommendation: We recommend that the District establish policies and procedures to ensure that all Federal awards are identified and reported accurately on future SEFAs. Internal controls should be designed to prevent, detect, or correct errors in a timely manner by performing periodic reconciliations of the SEFA information to the general ledger throughout the fiscal year. The District should provide appropriate training to staff who are assigned to prepare and review the SEFA.


District's Response: The District acknowledges the deficiencies.

Corrective Action Plan: The District will establish policies and procedures to ensure that all Federal awards are identified and reported accurately on future SEFAs.

Planned Implementation Date: November 1, 2024

Responsible Person: District Business Manager


Signature


Print Name