



December 31, 2025

Oregon Secretary of State Audits Division  
255 Capitol St. NE, Suite #180  
Salem, OR 97310

**Plan of Action for Multnomah Education Service District**

Multnomah Education Service District respectfully submits the following corrective action plan in response to deficiencies reported in our audit of the fiscal year ended June 30, 2025. The audit was completed by the independent auditing firm Talbot, Korvola and Warwick (TKW) and reported the deficiencies listed below.

The Chief Financial Officer is responsible for implementing all plans of action. The District hired an Accountant starting January 5, 2026 who will be responsible for improving internal controls and audit preparation support.

**Financial Statement Findings**

**Finding 2025-001:** Misapplication of accounting guidance for reporting compensated absences.

a. Type of deficiency: Significant Deficiency

- i. *Condition:* A significant deficiency in internal controls over financial reporting was related to the District's compensated absences liability. During audit procedures, it was noted that the District's calculation of its compensated absences liability omitted sick leave for Tier 1 and Tier 2 PERS members..
- ii. *Cause:* A misapplication of accounting guidance was applied during its initial implementation of GASB Statement No. 101.
- iii. *Effect or potential effect:* Compensated absence was understated by \$2,642,000 as of June 30, 2024 and \$2,501,000 as of June 30, 2025 prior to being corrected..
- iv. *Recommendation:* Management should implement compensating controls over the calculations used to estimate the District's compensated absences liability.

b. Plan of action: The Accountant will be responsible for preparing or reviewing the compensated absences liability for future audits.

c. Date of implementation: January 5, 2026

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**Finding 2025-002:** Understated expenditures for two federal awards and related receivables.

- a. Type of deficiency: Significant Deficiency
  - i. *Condition:* A significant deficiency in internal controls over financial reporting was related to the District's preparation of the Schedule of Expenditures of Federal Awards and the recording of federal grant-related balances. During our audit procedures, it was noted the initial SEFA understated expenditures for two federal awards. Additionally, the District had not recorded the related receivable for the grant revenue.
  - ii. *Cause:* New staff was not familiar with the modified accrual basis of accounting.
  - iii. *Effect or potential effect:* The schedule of federal awards understated federal expenditures by \$75,295 for Title I Grants to Local Educational Agencies (AL# 84.011) and by \$18,236 for Career and Technical Education - Basic Grants to States (AL# 84.048) prior to being corrected. The Contract Services Fund understated accounts receivable and unavailable revenue and Governmental Activities understated accounts receivable and revenue by \$93,531 prior to being corrected.
  - iv. *Recommendation:* Management should implement compensating controls over grant receivables and unavailable grant revenues. Additionally, management should implement compensating controls over the preparation of the schedule of federal expenditures.
- b. Plan of action: The District will develop a review process for the preparation of the schedule of federal expenditures that will confirm expenditures and receivables are recorded in the proper accounting period.
- c. Date of implementation: January 5, 2026

**Federal Award Findings and Questioned Costs**

See Finding 2025-002 above.



Doana Anderson, Chief Financial Officer