

**CITY OF NEWPORT  
RESOLUTION NO. 3926**

**A RESOLUTION ADOPTING A CORRECTIVE PLAN OF ACTION FOR FINDINGS  
RELATED TO THE 2019-20 FISCAL YEAR AUDIT**

- **WHEREAS**, the City of Newport's, 2019-20 Fiscal Year (FY) audit is complete and the Comprehensive Annual Financial Report has been issued and approved by the Audit Committee and the City Council.

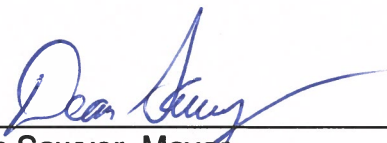
- **WHEREAS**, the City of Newport's 2018-19 FY audit contained one finding Single Audit Report and the two reportable conditions, one, the City had four programs where actual reportable costs exceeded the Council Budgeted Appropriations, these are considered deficiencies and a corrective action plan is necessary to be filed with the Oregon Secretary of State and the Federal (Audit) Clearinghouse, and two, deficit budgetary basis fund balances and these too are filed with the Secretary of State.

**WHEREAS**, upon receipt of an audit report under ORS 297.465(2), the governing body of a municipal corporation shall determine the measures it considers necessary to address any deficiencies disclosed in the report. The governing body shall adopt a plan of action to address the deficiencies. The plan must include the estimated period of time necessary to complete the planned actions. This resolution must be filed within 30 days after filing an audit report with the Secretary of State under ORS 297.465.


**THE CITY OF NEWPORT RESOLVES AS FOLLOWS:**

- 1) The City Council adopts the Corrective Action Plan for the audit findings for the Comprehensive Annual Financial Report for the Year Ended June 30, 2020 marked Attachment A.
- 2) This resolution will become effective immediately upon passage.

Adopted by the Newport City Council on July 19, 2021.

  
\_\_\_\_\_  
Dean Sawyer, Mayor

Attest:

  
\_\_\_\_\_  
Margaret M. Hawker, City Recorder





CITY OF NEWPORT – FINANCE  
169 SW COAST HIGHWAY  
NEWPORT, OR 97365

July 19, 2021

Attachment A for Resolution 3926

**General Finding One:**

Number 2020-1 Federal Program 21.019 Coronavirus Relief Fund (CRF)

**Finding:** The City calculated rates based on budgeted pay rates; however, some employees had mid-year rate changes and there were new employees that were not budgeted for. The City did not retain the records supporting the pay rates used to charge payroll expenditures to the program for these employees. Also, hours were manually entered into the spreadsheet used to track and calculate expenditures charged to the program. This resulted in data entry errors.

**Personnel to effect change:** Mike Murzynsky, Finance Director and Steve Baugher, Assistant Finance Director

**Corrective Action Plan:** We agree that the manual input of hours was not handled correctly. In the future, formulas will be used. The budgeted pay rates finding is explained as follows.

Yes, some employees with mid-year rate charges were missed but in whole we did not overcharge the CRF grant for payroll portion of the funding. The new employees not budgeted in the year were those brought back because of the COVID emergency. By the end of the year the budgets they were in was corrected for their salaries. Finally, the City could not recalculate the fully loaded pay rates used in the CRF payroll calculation submitted for reimbursement. The phrase “.....retain the records supporting the pay rates...” is a confusing statement. It implies that Finance did not follow retention rules and that is not true. However, in the future we plan to set percentage rates for each payroll group so it is directly applied to the base rate of pay. For example, for the Fire group we set a fully loaded rate of 145% times the base salaries and do the same to the other groups in the City. This way we can track and retain pay rate calculations plus cover any added employees.

**Anticipated completion date(s):** June 30, 2021

**General Finding Two:**

**Finding:** There were four funds with over-expended appropriations: 1) Housing fund, 2) Agate Beach fund, 3) Governmental Debt Service Fund, and 4) City Facility Fund – Street Lights.

**Personnel to effect change:** Mike Murzynsky, Finance Director and Steve Baugher, Assistant Finance Director

**Corrective Action Plan:** Beginning in December of each year Finance produces monthly financial reports. Assistant Finance Director completes an initial review and reports to the Finance Director on overages. The Finance Director reviews the reports and researches any program reported that is approaching the total budget and discusses with the Department Head in charge of said program. Normally a budget adjustment is agreed upon and the department head authorizes Finance to complete the process.

Anticipated completion date(s): June 30, 2022

**General Finding Three:**

**Finding:** There were three funds which had a deficit budgetary basis fund balance; 1) Governmental Debt Service Fund; 2) Governmental G.O. Debt Service; 3) Proprietary G.O. Debt Service Fund.

**Personnel to effect change:** Mike Murzynsky, Finance Director and Steve Baugher, Assistant Finance Director

**Corrective Action Plan:** There is no CAP for these items and it is explained as follows. For the Governmental Debt Service, we should not encounter the six-year adjustment in the upcoming years so there is no Corrective Plan. The Governmental G.O. debt, the property tax for the 2021-22 were bulked up an additional amount to cover the deficit. The Proprietary G.O. Debt was also bulked up an additional amount to cover the deficit in the 2021-22.

Anticipated completion date: Have already been corrected.