



# School District #1J, Multnomah County, OR

Portland, OR

January 2, 2018

Office of the Secretary of  
State Audits Division  
255 Capitol St. NE, Suite  
#500 Salem, OR 97310

## **Plan of Action for School District No. 1J**

School District No. 1J ("t- C6gA Capit16 Tc-.0018 Tw(("t)9.0u.uec.

nesses reported in our audit of fiscal year ended June 30, 2017. The  
pendent auditing firm Talbot, Korvola & Warwick, LLP.

discussed below with the Action Plan listed for each.

istrict should have in place a system of internal controls over financial  
ete and accurate reporting of amounts reported in the financial  
ict presented the original trial balance and financial statements for  
cognize an accounts payable of approximately \$2.05 million for the  
ts. The District's internal control over the processing of year-end  
cognize the asset and accounts payable for fiscal 2017 and instead  
fiscal 2018. As a result, assets and liabilities were understated in the  
osition and the GO Bond Fund liabilities were understated and fund  
e \$2.05 million.

ommend the District enhance its internal control review process over  
miscoding of fiscal year accounting.

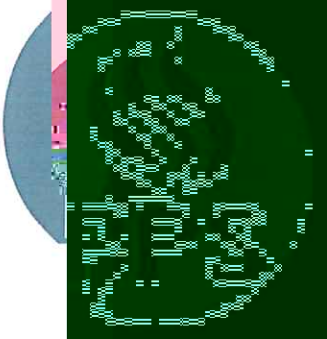
ended, the District has implemented additional and repetitive training  
am. Over the past two months four sessions of training have been  
ue to provide periodic training to ensure the staff has the knowledge  
k. The District is also implementing multi-departmental strategies to  
rded in the correct fiscal year.

istrict should have in place a system of internal controls over financial  
ete and accurate reporting of amounts reported in the financial  
ict presented the original trial balance and financial statements for  
d net position were overstated by approximately \$18 million. The  
ontractor to assist in calculating GASB 68 pension journal entries and  
incorrectly included \$18 million in pension contributions subsequent  
ad not actually been made. As a result, deferred outflows and net  
e District's Statement of Net Position by \$18 million.

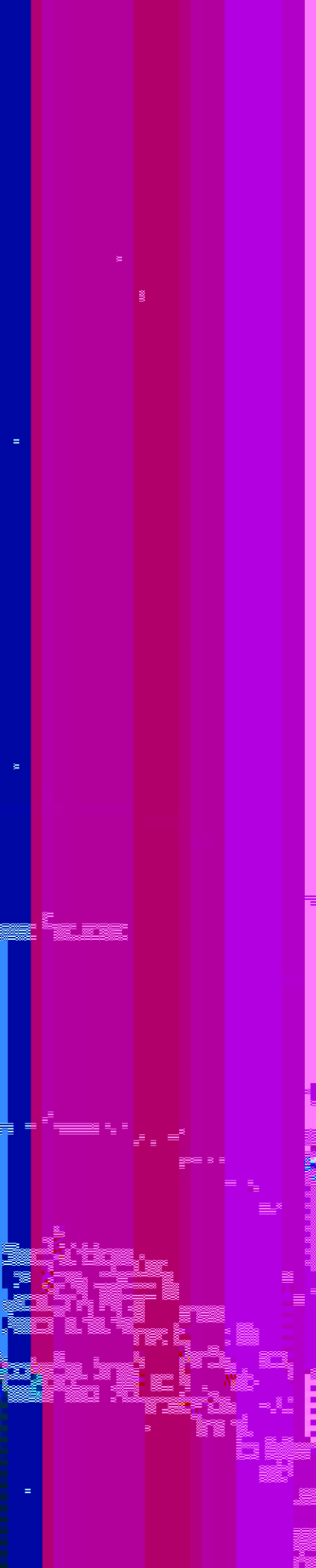
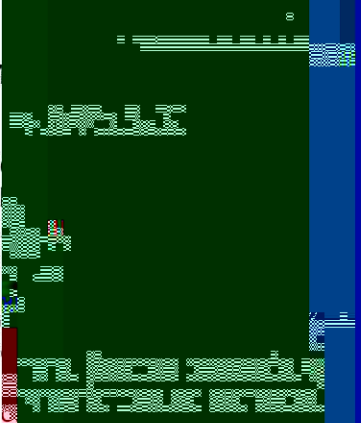
ommend the District thoroughly review all work completed by outside

ended, the District will implement two levels of review for CAFR  
k completed by outside contractors.

3. **Material Weakness:** The District should have in place a system of internal controls over financial reporting to ensure complete and accurate reporting of amounts reported in the financial



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Section 1 of the Act

Section 2 of the Act

BOARD OF EDUCATION  
SCHOOL DISTRICT NO. 1J, MULTNOMAH COUNTY, OREGON

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January 9, 2018

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Other Matters Requiring Board Approval

The Superintendent RECOMMENDS adoption of the following items:

Numbers 5557 through 5562



**RESOLUTION No. 5558**

Approval of Corrective Action Plan for Material Weaknesses Related to Financial Statement Findings

**RECITALS**

- A. Secretary of State requirements call for the Board to approve all recommendations to a Corrective Action Plan in response to three material weaknesses found during the year-end financial statement audit.
- B. The independent auditors found three identified material weaknesses related to financial statement findings including:
  - 1. The District's internal control over the processing of year-end accounts payable failed to recognize the asset and accounts payable for fiscal 2017 and instead recorded the transaction in fiscal 2018; and
  - 2. The District enlisted an outside contractor to assist in calculating the GASB 68 pension journal entries and disclosures. This calculation incorrectly included \$18 million in pension contributions subsequent to measurement date that had not actually been made; and
  - 3. The District's internal control over year-end financial statement preparation failed to detect and correct incorrectly calculated accrued interest and net position classifications at year end.
- C. The Corrective Action Plan includes the following steps:
  - 1. Related to the accounts payable recognition, the District has implemented additional and repetitive training for the Accounts Payable team in addition to continued periodic training to ensure the staff has the knowledge and skills to perform this task; and
  - 2. Related to the pension contribution calculation and incorrectly calculated year-end values the District will implement two levels of review for CAFR preparation, including all work completed by outside contractors.
  - 3. Related to all three material weaknesses, staff immediately modified the reports and included an additional level of review prior to the audit opinion being issued.
  - 4. A copy of this resolution will be filed with the Secretary of State.

**RESOLUTION**

The Board of Directors for Portland Public Schools, School District No. 1J, Multnomah County, Oregon, approves the Corrective Action Plan in response to the financial statement findings.

**RESOLUTION No. 5559**

Election of Board Chairperson and Vice Chairperson(s)

Director \_\_\_\_\_ is hereby elected Chairperson of the Board and Director(s) \_\_\_\_\_ are hereby elected Vice-Chairperson(s) of the Board for the period beginning Jan. 9, 2018, until their successors are elected.



**RESOLUTION No. 5560**

HOLD for Step 3 Complaint

**RESOLUTION No. 5561**

Renaming of Board Taskforce

The Board's Policy and Governance Taskforce shall be renamed to the Board Policy and Governance Committee. Per Portland Public Schools Board Policy 1.20.014-P, Special Committees have a special purpose to serve until their assignment is completed.

**RESOLUTION No. 5562**

Minutes

The following minutes are offered for adoption:

December 19, 2017

**RESOLUTION No. 5563**

Authorizing Payment

The authority to pay \$212,596 is granted to Miller Nash Graham and Dunn LLP for work performed on the District's behalf.

This expenditure will be charged to the District's legal fund 601.

*L. Large*