



6515 Gladys Avenue, Otter Rock, Oregon 97369

June 13th, 2023

Oregon Secretary of State
Audits Division
255 Capitol Street NE, Suite 180
Salem, Oregon 97310

Plan of Action for Otter Rock Water District

Otter Rock Water District respectfully submits the following corrective action plan in response to deficiencies reported in the audit of the fiscal year ended June 30, 2022. The audit was completed by the independent auditing firm, Koontz, Blasquez & Associates, P.C., Albany, Oregon, who reported the deficiencies listed below. The plan of action was adopted by the governing body of the District at their meeting on June 13, 2023, as indicated by the signatures below.

The deficiencies are listed below, including the adopted plan of action and timeframe for each.

1. Significant Deficiency: Segregation of Duties

- a. **Description:** Because of a limited number of available personnel, it is not always possible to adequately segregate certain incompatible duties so that no one employee has access to both physical assets and the related accounting records or to all phases of a transaction. Consequently, the possibility exists that unintentional errors or irregularities exist and may not be promptly detected.

Recommendation: The auditor recommended that the board of directors and management remain diligent in monitoring the financial activities of the District.

- b. **Plan of action:** The Treasurer receives and opens all incoming mail and reviews. Board members approve all payments issued by ORWD and two signatures are required on all checks. Monthly bank statements for all accounts are reviewed by all board members along with various financial statements.

- c. **Timeframe for, or date of, implementation:** Ongoing

2. Significant Deficiency: Preparation of Financial Statements in Accordance with an Other Comprehensive Basis of Accounting

- a. **Description:** Auditing standards require the auditor to assess the internal control

system of the District. In addition, the standards require the auditor to extend this assessment of controls over financial statement preparation. Proper controls over financial statement preparation require adequate knowledge and involvement to detect errors and omissions in the financial statements. The District relies on the auditor to assist in drafting the financial statements. In addition, the auditor verifies that the financial statements, including note disclosures, contain all of the elements required to comply with the cash basis of accounting. The auditor believes that the District has staff with the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards; however, the auditor's assistance in drafting the financial statements described above does produce a significant deficiency in the District's internal control system.

Recommendation: The auditor does not recommend any change in the preparation of the financial statements, but that the board should be aware of this deficiency and stress the importance of thorough review of the financial statements prior to approval of the audit.

b. Plan of action: Otter Rock Water District considers the cost of staffing the financial expertise to correct this deficiency to outweigh the benefit, and has determined that it is more beneficial to continue to outsource these matters to external experts.

c. Timeframe for, or date of, implementation: Ongoing

Signed by:

Lisa Hall, Board Vice President

Date

Eileen Goldhammer, Board Treasurer

Date