



EXHIBIT A

December 18, 2024

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

Plan of Action for the City of Portland

The City of Portland respectfully submits the following corrective action plan in response to deficiencies reported in our audit of fiscal year ended June 30, 2024. The audit was completed by the independent auditing firm Moss Adams LLP and reported the deficiencies listed below. The plan of action was adopted by the members of the governing body at their meeting on December 11, 2024, as indicated by signatures below.

The deficiency is listed below, including the adopted plan of action and timeframe for each.

Deficiency

- a. Moss Adams LLP found a Material Weakness in the City's Bureau of Transportation Construction in Progress. The auditor's finding 2024-001:

Finding 2024-001 – Material Weakness in Internal Control Over Capital Assets

Criteria: U.S. generally accepted accounting principles (US GAAP) requires capital assets to be placed into service and subject to depreciation once construction is completed and the assets are operational and ready for their intended use. Once construction is completed, the related costs for the underlying project within the construction work in process account should be transferred to capital assets in service and depreciation should begin to be recognized.

Condition/Context: The City of Portland's Bureau of Transportation did not properly review, identify and transfer completed construction project costs to capital assets in service as of June 30, 2024, to align with the financial accounting and reporting requirements of US GAAP.

Cause: The City of Portland's Bureau of Transportation did not properly follow internal controls and require a timely review of construction work in process during the fiscal year ended June 30, 2024.

Effect: The City of Portland recorded a material audit adjustment to transfer finished project costs to capital assets in service, including a component to recognize depreciation expense on those projects not closed timely, and another component to recognize assets that were not capital in nature and were expensed in the period.

Recommendation: We recommend that the City of Portland evaluate its current practices and establish internal controls to require a periodic (at least annual) review of construction work in process to properly identify completed construction projects to close those to capital assets in service and recognize depreciation expense timely in line with US GAAP. This review should be formally documented in writing.

b. Document the plan of action and dates of implementation:

The city agrees with this finding and will adhere to the Corrective Action Plan:

Contact Person: John Maloney, Controller

Over the remainder of the FY 2024-25 and continuing thereafter, the City will enhance Citywide processes and resources to review and identify capital projects that require closing to transfer to fixed assets when placed in operations, expense the project when management determines the project is no longer viable, or remain open if the project continues under construction.

A significant contributor to the identified backlog of unclosed projects has been the lack of dedicated Capital Asset Accounting staff within the Portland Bureau of Transportation (“PBOT”). Budget shortfalls within PBOT have prevented the bureau from adding much needed Capital Asset Accounting staff as the capital program grew in size. Immediately (in December 2024), Central Accounting is providing a Capital Asset Accountant to temporarily cover these duties in PBOT. The Central Accounting representative is currently reviewing the list provided by PBOT for projects that require expensing and then will tackle projects for capitalization and transfer to fixed assets.

PBOT will immediately initiate the process to hire one or two limited term accountants to address the ongoing need for these services, with hiring targeted for February 2025. The work of these individuals will focus solely on closing or expensing capital projects. Upon approval of the additional budget resources, PBOT aims to convert one or both limited-term positions to regular full-time employees.

Additionally, Central Accounting is to provide training and additional oversight to support timely completion of this work.

Quarterly, starting December 31, 2024, Central Accounting will assemble and send a list of open capital projects to all bureaus with construction projects. This report is to be reviewed by the

construction project managers and accounting staff within each bureau. The list will provide oversight from Central Accounting to the bureaus and act as a reminder to review construction projects. If Central Accounting identifies that capital projects are remaining on the list for multiple quarters, the list of those unaddressed projects will be elevated to the Deputy City Administrator overseeing the bureau, and to the City's Chief Financial Officer, for follow up with the Bureau Director and bureau financial and accounting managers.

An improved training program (managed by Central Accounting) for engineering staff at bureaus with capital projects will be implemented no later than March 2025. Project managers will be given training in their responsibilities to track and monitor projects for closing based on accounting standards and expectations.

The City Council of Portland, Oregon has approved this Plan of Action as of December 18, 2024.

Ted Wheeler, Mayor

Signature

Mingus Mapps, Commissioner

Signature

Dan Ryan, Commissioner

Signature

Rene Gonzalez, Commissioner

Signature

Carmen Rubio, Commissioner

Signature