



For Recording Stamp Only

Minutes of the Meeting of the
Deschutes County Audit Committee

Date: December 8, 2023

x	<i>Facilitator:</i> Elizabeth Pape, County Internal Auditor		
Audit Committee Public Members (6 members)			
x	Daryl Parrish, Chair	x	Summer Sears
x	Joe Healy		Jodi Burch
	Stan Turel	x	Kristin Toney (term begins 1/1/2024; observing this meeting)
Audit Committee County Management Members (3 members)			
x	Patti Adair, County Commissioner	x	Charles Fadeley, Justice of the Peace
	Lee Randall, Facilities Director		
Others Present:			
x	Aaron Kay, Performance Auditor	x	Nick LeJack, County Administrator
x	Erik Kropp, Deputy County Administrator	x	Whitney Hale, Deputy County Administrator
x	Robert Tintle, CFO	x	Jana Cain, Accounting Manager/ Controller
x	William Kuhn, Treasurer		Phil Chang, County Commissioner
x	Tony DeBone, County Commissioner		Kristie Bollinger, Property Manager
x	Stephen Gunnels, District Attorney	x	Kathleen Hinman, Director Human Resources (via Zoom)
x	Kevin Mullerleile, Moss Adams (via Zoom)	x	Amanda McCleary-Moore, Moss Adams (via Zoom)
x	Angie Powers, Administrative Assistant Admin/BOCC	X	Daniel Kieffer, Accountant (via Zoom)
X	Lana Lane, Accountant (via Zoom)		

This HYBRID meeting was held virtually via Zoom Conference Call, and in the DeArmond Room of the Deschutes Services Building.

- I. **CALL TO ORDER:** Chair Parrish called the meeting to order at 12:09 p.m.
- II. **Introductions / Notices**
- III. **Approval of Minutes for September 8, 2023**

Chuck Fadeley moved approval of the minutes of the September 8, 2023 meeting. Commissioner Adair supported the motion.

Votes: All YES.

Motion carried.

IV. Special Topics:

A. Annual Comprehensive Financial Report (ACFR) – Moss Adams

Elizabeth Pape explained that each year, the County Finance Department prepares the annual financial statements and Moss Adams is contracted as the External Auditor to certify the County's financial statements.

Amanda McCleary-Moore stated that the County is audited in accordance with Generally Accepted Auditing Standards (GAAS) and the Generally Accepted Governmental Auditing Standards (GAGAS). In addition, five of the county's component units were audited. Compliance with the Oregon Minimum Audit Standards is also tested.

At a high level, some of the significant account areas audited were: cash and investments, revenue and receivables, capital assets, long-term liabilities (debt), financial close and reporting (County's Annual Comprehensive Financial Report or ACFR), federal grants (American Rescue Plan Act or ARPA), and Oregon Minimum Standards. Amanda commended the County's Finance team for the readability and completeness of its ACFR document. Moss Adams issued unmodified, clean opinions on the County's financial statements and all component units. There were no control or compliance findings in accordance with Oregon Minimum Standards, GAGAS or the Uniform Guidance for Federal Awards. In summary, Moss Adams issued four very clean reports and Amanda congratulated the team. She proceeded to say that it's relatively rare to have zero internal control or compliance findings in an audit.

Kevin shared that this year's reports were issued a month earlier than last year's as the ACFR was available sooner. It included a new fifth component unit, the Deschutes County Road Agency. Significant Accounting Policies and Unusual Transactions were summarized. They found that significant accounting policies are consistently followed and there were no significant issues to report. There was one new accounting standard implemented which impacted the County's financial statements (GASB Statement No. 96, Subscription-Based IT Arrangements). This added \$2 million in subscription assets and \$1.39 million in subscription liabilities. 9-1-1 software holds the lion's share of what was added.

There were no issues with the estimates in the County's ACFR. No difficulties were encountered in performing this year's audit, and no material judgments needed to be made to issue a clean opinion. Key Financial Statement Disclosures were summarized. An immaterial adjustment was identified. The new Joint Houselessness Task Force Fund received \$807,295 booked as revenue in governmental funds but should have been recorded as unearned revenue and not recognized until these funds were used for their intended purpose. Another immaterial uncorrected misstatement related to the Road Capital Improvement Fund and Kevin summarized. There were no disagreements with management and no deficiencies in internal controls.

Moss Adams recommended adjustments in the aforementioned Houselessness Task Force funds, as unearned revenue instead of recognized as revenue. In addition, they wished to acknowledge an important observation, in that the Health Benefits Fund, an internal service fund, has experienced significant declines in its fund balance over the past four years. The County currently has a plan in place to address this fund moving forward.

Amanda spoke about some GASB accounting updates to be implemented in the coming years: GASB Statement No. 99: Omnibus 2022, No. 100: Accounting Changes and Error Corrections, and No. 101: Compensated Absences.

Commissioner Adair thanked Moss Adams for noting the declining balance in the Health Benefits Fund. Commissioner DeBone thanked Moss Adams for their partnership and professionalism and thanked the County's finance team for its hard work. He commented on the dynamic nature of the current economic climate. Chair Parish thanked Moss Adams for their efficiency. Robert Tintle applauded the external audit team and thanked his team, recognizing Jana, Dan, and Lana for working tirelessly. Nick Lelack thanked Jana and her team for their extraordinary work.

B. Audit Committee 2023 Accomplishments

Elizabeth provided a summary of the Audit Committee's accomplishments over the past year and recognized all committee members, including those not in attendance, Stan Turel and Jodi Burch. She introduced Kristin Donald, the committee's newest member, whose term begins January 1, 2024. She also recognized Scott Reich, who served on the committee but completed his term this year. Commissioner Adair, Chuck Fadeley and Lee Randall were recognized as the committee's County members. Daryl has been the Chair since 2018.

Five meetings took place this year. The committee performed a self-assessment, to be summarized later during this meeting. The Committee reviewed the County's Popular Financial Statement for 2022. David Givans retired, and the committee assisted in recruiting the new Internal Auditor. Moss Adams has been the county's external auditor for two years and is contracted through 2026. Moss Adams reviewed eight internal audit reports and ten follow-up reports. Internal Performance Measures were evaluated, based on a customer satisfaction survey. Results from this year show a 95% overall satisfaction, over last year's result of 92%.

C. Audit Committee Survey Results

Elizabeth sent out a survey to all committee members and reported on the responses as feedback for service on the committee. The purpose of the survey is for committee members to have a meaningful experience and to improve the effectiveness of the committee. The survey had 46 questions in total, divided into 6 sections: processes and procedures, understanding risk, composition and quality of committee, communication, oversight of financial reporting, and oversight of internal audit functions. Five responses were received from eight committee members. Overall results by section were summarized.

There was widespread interest in field trips for committee members, in which they can visit county departments to get an up-close look at operations. Discussion ensued on potential opportunities for continuing education. This may be an additional focus area moving forward. The largest overall drop since 2020 fell under the category of oversight of internal

audit functions. Results indicate that committee members would like to have more input on agenda topics. A select group of comments was shared in the presentation under each category. Summer questioned ways in which more responses could be received on the survey, and Elizabeth acknowledged the survey was quite lengthy and perhaps a shorter one would yield more responses. Elizabeth asked committee members to bring suggestions for areas for improvement with them to the March meeting.

Commissioner Adair asked Robert Tittle to share recent developments in bonding for the courthouse. The County went out for a competitive bid for \$25 million bond on November 13. This bond is for both courthouse funding (\$20.5 million) and we refunded our 2013 bonds. The County budgeted for courthouse expansion based on interest rates, but those have changed over the years. The State of Oregon's general fund is contributing \$15 Million towards the courthouse expansion project, as well as a variety of funding sources, brought the debt came down from \$40.5 million to \$20.5 million. Rates decreased for just a few days, and the County was able to secure a 3.86% composite rate. This lower rate saves the County \$100,000 per year. refinancing of the debt was done. 17 companies placed bids, and Robert added that the County's AA1 excellent rating makes it desirable.

There was some discussion on the specialized niche in which auditors of governmental entities fill, and Moss Adams is at the top of their game. Price Fronk & Co. and Eide Bailly were mentioned as other External Auditors of governmental entities, but the group acknowledged that there aren't a lot of companies who can do this work.

D. Auditing Standards Presentation

Government Auditing Standards (GAGAS) topics were shared with the committee, as part of their continuing education. Elizabeth provided a summary of GAGAS Chapter 8: Fieldwork Standards for Performance Auditors. Financial audits are in chapter 6, such as what Moss Adams performs. Many of these standards are covered under accounting standards for CPAs. Chapter 7 is about attestation engagements and review of financial statements, evaluating how true data is when compared to a stated purpose. Moss Adams also performs this function. In contrast, chapter 8 covers what County Internal Audit does. Criteria *other than finances* are evaluated. Field work standards and reporting standards are covered in two separate chapters and this presentation covered the field work standards:

1. **Planning** to develop audit objectives and methods
2. **Conducting the engagement** to collect evidence to achieve objectives and establishing internal controls
3. **Supervision** with clear documentation of the supervisor's role
4. **Evidence** which must be sufficient and appropriate and show that the objectives have been achieved
5. **Findings** for instances of noncompliance, waste, or abuse (4 elements to a finding: criteria, condition, cause, and effect)
6. **Audit Documentation** for transparency, noting that Internal Audit documents are available for all to review

V. Internal Audit Report

A. Facilities and Property Cash Handling

Aaron Kay presented the findings. The Property and Facilities Departments are separate departments but placed under the same audit report. Moving forward, these will be

handled separately as they are now independent departments. The recommendation for Facilities is to have complete documentation of their accounting policies and procedures to address identified concerns. Process improvement and governance were two areas of focus.

Two recommendations for Property Management are to revise its written accounting policies and procedures for monies collected and to document the process and criteria for charging filing and recording fees. Transparency, accountability, and governance are three areas of focus. Some departmental challenges include that it had been functioning as a two-person department and they've had some turnover in staffing. In addition, a recent supreme court decision may impact foreclosed properties, so this department did not hold a public auction this year. Falling under Property Management, an Ethics recommendation for the Human Resources Department is to align Section 8.020 with State conflict-of-interest laws and establish a standardized disclosure procedure.

B. Office of the District Attorney Cash Handling

Elizabeth summarized that staff expenses and revenue have been trending upward in the DA's Office. Most revenues remained steady while grants increased steeply due to a Criminal Justice Commission grant for the Emerging Adult Program. Discovery and document fees decreased.

Findings were that there were no daily deposits and no receipts, which meant that the department did not comply with the County's cash handling policy. This meant that checks were sitting around the office and without prenumbered receipts issued, transactions could be more easily disputed. This represents an opportunity for fraud due to missing internal controls. The monies come in sporadically in small amounts which makes it seem low risk but since it's unpredictable and able to "fly under the radar", represents a good opportunity for fraud.

Internal audit's governance recommendation was to update accounting procedures to comply with the County's cash handling policy to decrease the chance that cash is stolen. There is no need for follow-up since the office was proactive and has already implemented the recommendations.

C. Follow-Ups

a. Sheriff's Office Cash Handling

Three major recommendations were made, with 14 resolution guidance points. The estimated completion date on all guidance points is December 2023.

b. Vacation and Sick Leave

Ten recommendations were agreed upon by Human Resources and Finance. These departments were heavily involved in the pay period alignment project, affecting their timing. One recommendation on a secondary review process was deferred due to other commitments. Five recommendations have been resolved and four are currently underway. Amongst those underway, performance evaluation updates are underway, representing improvements over the current standard.

c. Elected District Attorney Transition and Cash Handling

One recommendation was addressed right away, five have been implemented and one is underway. That underway is to document daily activities for a succession plan should DA Gunnels leave.

d. Treasurer Transition

Seven recommendations were made, and all have been resolved. Aaron applauded Bill Kuhn for being proactive in addressing the recommendations in a timely manner.

VI. General Follow-Up and Department Updates

A. Internal Audit Status Report

Elizabeth provided a status update. The report includes the proportion of time spent on activities over the past 12 months (August 2023 through October 2023) as compared to the past 3 months. She summarized current audits in progress. They've completed an internal process and policy review and meetings with County Administration. Elizabeth and Aaron attended the Oregon Audit Summit in October, hosted by the Secretary of State. This event was free of charge, aside from room and board.

B. Audit Committee Resources Webpage

Elizabeth put together an Audit Committee Resource webpage. It includes slide decks for new committee member orientation. This webpage will include resources for committee members, all available in one place. This link will be provided to committee members in a future email. She shared the Deschutes County public meetings portal, which houses meeting agendas and attachments, meeting video recordings and approved meeting minutes.

C. County Updates

Nick shared that department leadership feels stable at this time. Over the past year, transition has taken place in the roles of Treasurer, District Attorney, Internal Auditor, and Solid Waste Director. Moving forward, we know that Sheriff Nelson will not seek reelection. He shared that the IT Department is hiring a Cybersecurity Manager. A Request for Proposals (RFP) has been initiated for a Wage Study for comparable jurisdictions, for AFSCME and non-represented employees. Commissioner Adair added that she feels the County is in great hands with the partnership amongst our CFO Robert Tintle and Treasurer Bill Kuhn. She appreciates the unique insight these two provide.

D. Committee Information

A link to the document has been provided to committee members.

VII. Other Discussion Items

Joe Healy asked about the recent media coverage on wasteful spending in the Sheriff's Office and a website that's been created by community members who have concerns. Robert shared that financial reports are provided to the Board monthly, and all major funds are covered in a public meeting setting. Robert said that it's not uncommon to have a discrepancy between ending fund balance for FY23 and the projection for the next fiscal year, because an estimate is being made. He's not concerned, and the County is being proactive in monitoring DCSO fund balances, along with all other departments' fund balances. Nick added that the mid-year Budget Update meeting will take place next week, on **Tuesday December 12 at 1:00 p.m.** in the Barnes and Sawyer room.

Aaron shared that the Secret Service is offering an upcoming counterfeit currency training to County staff at no cost. Due to a conflict with Shop with A Cop, some DCSO staff are unable to attend, so Aaron may try to schedule another training for a later date.

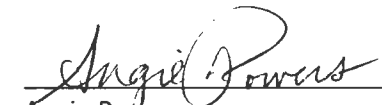
VIII. Closing & Adjourn

A. Follow-Ups

The next meeting is scheduled for March 8, 12:00-3:00 p.m.

Adjournment: *Being no further issues brought before the Committee, the meeting was adjourned at 2:20 p.m.*

Respectfully submitted,



Angie Powers
BOCC Administrative Assistant