



For Recording Stamp Only

Minutes of the Meeting of the
Deschutes County Audit Committee

Date: August 8, 2025

Location: Deschutes County Services Building, Allen Room and via Zoom
 1300 NW Wall Street, Bend, OR 97703

x	Facilitator: Elizabeth Pape, County Internal Auditor		
Audit Committee Public Members (6 members)			
x	Daryl Parrish, Chair	x	Elizabeth Foott
x	Joe Healy (via Zoom)	x	Jodi Burch (via Zoom)
x	Phil Anderson		Kristin Toney
Audit Committee County Management Members (3 members)			
x	Patti Adair, County Commissioner	x	Steve Dennison, County Clerk
	Lee Randall, Facilities Director		
Others Present:			
x	Nick Lelack, County Administrator and non-voting Ex-Officio member	x	Erik Kropp, Deputy County Administrator and Risk Manager
x	Whitney Hale, Deputy County Administrator and Communications Director	x	Sara Crosswhite, 9-1-1 Director
x	Marjorie Leunen, Deschutes County Fair & Expo Center RV Park Attendant	x	Trygve Bolken, Human Resources Analyst
x	Anthony DeBone, Deschutes County Commissioner	x	Kim Riley, Senior Assistant Legal Counsel (via Zoom)
x	Dave Doyle, County Legal Counsel (via Zoom)	X	Gabrielle Poccia, Portland Metro Auditor's Office (via Zoom)

This HYBRID meeting was held virtually via Zoom virtual meeting platform, and in the Allen room of the Deschutes County Services Building.

- I. **Call to Order:** Chair Parrish called the meeting to order at 1:00 p.m.
- II. **Introductions & Notices:** Those individuals in attendance introduced themselves.
- III. **Approval of Minutes from the June 13, 2025 meeting**
Motion: Phil Anderson moved approval of the June 13, 2025 Audit Committee meeting minutes

Second: Chair Parrish seconded the motion

Votes: All yes. Motion carried.

IV. Internal Audit Reports

a) Recreational Vehicle Park

Elizabeth Pape provided an overview of this integrated audit. The original audit was published in August 2024, and this agenda item is a follow up on the recommendations.

The RV Park opened in 2007 and has 105 full-service sites. The park's peak season coincides with the annual Fair and Rodeo, with July and August being their busiest months.

To date, zero recommendations have been resolved, four are in-process and management accepted the risk of not implementing one recommendation.

Recommendations in-process include:

- Fair & Expo (DCFE) should conduct a fraud risk assessment for the RV Park and document the outcomes. DCFE is working with Finance to complete this work.
- Incorporate results of the fraud risk assessment into new information system security procedures. DCFE is working with Finance to complete this work.
- Incorporate results of the fraud risk assessment into updated cash handling procedures. DCFE is working with Finance to strengthen controls and transparency.
- Bring website into compliance with the Americans with Disabilities Act requirements for accessibility. DCFE is working with a consultant on website improvements.

Management accepted the risk of not implementing one recommendation:

- No new performance measures will be established for the RV Park performance. Performance includes, but is not limited to, occupancy.

Responding to Steve Dennison, Pape spoke to the importance of segregation of duties. Responding to Elizabeth Foott, Pape clarified that cash handling procedures include all forms of currency, including credit card transactions.

b) Health Benefits

Pape noted the original audit was published in September 2024 and this agenda item is a follow-up.

Deschutes County has a self-insured Health Benefit Plan. PacificSource is the third-party plan administrator. Participants include County employees, dependents, some retirees, Central Oregon Intergovernmental Council and Black Butte Ranch Service District. In 2024, \$19 million was spent on a total of 3,476 plan participants.

Pape summarized the roles within the program, including plan budget and implementation. She then shared a slide on the most common and the most expensive procedures. A line graph illustrated that costs have increased at a faster rate since 2021. After 2021, there has been a 13% average annual increase in cost, and the County is

experiencing higher charges for services. The Health Benefits Plan Fund is currently below contingency and nearing the reserve. State law requires a claims reserve based on actuarial calculations based on past claims.

To date, one recommendation has been resolved, three are in process and management accepted the risk of not implementing two recommendations.

The recommendation resolved include:

- Conduct an after-action review and root cause analysis to document why the Health Benefit Fund fell below the contingency level and determine how to prevent it from occurring in the future. HR has revised and recalibrated the forecasting model and the finances are more favorable.

The following recommendations are currently in process:

- Add requirements for reporting on payment accuracy, financial accuracy and timeliness to the next contract. Data will be tracked in the 2025 plan year.
- Share the report with the Employee Benefits Advisory Committee. HR plans to share performance reports with EBAC at a future meeting.
- Document procedures related to health benefits payment processing. Staff will coordinate with the new HR Director. Back up staff will be identified.

Despite a data sharing error on the part of PacificSource, management accepted the risk of not implementing the following recommendations:

- The recommendation was to require service organization control reporting to the next third-party administrator contract. Instead, management is relying on the contractor's high trust certificate. Pape noted that despite this certificate, the contractor shared sensitive medical data about other clients.
- Internal Audit also recommends creating a policy for reviewing third-party administrator service organization controls reporting. Management will not implement such a policy as they are not requesting a report.

Internal Audit will continue to follow up with these recommendations as part of the Global Follow-Up. Responding to Joe Healy and Phil Anderson, Pape elaborated on the data, which was PacificSource inadvertently shared, and which did not meet the criteria for a "data leak" or "data breach". Pape classified this event as an isolated incident, and the data was shared with no ill intent.

Nick Lelack commented on the fund balance, noting that County Administration is following this balance closely and is continuing to make important decisions. While being cognizant not to overreact, Administration has made strategic decisions. Regarding the recommendation management is choosing not to implement, Lelack said that the risk is being managed differently.

Whitney Hale spoke about the System and Organization Controls (SOC) report which Audit recommended the County request and require from their third-party administrator. The County's Information Technology (IT) department doesn't feel they are adequately staffed to require SOC reports from all contractors and vendors, noting that IT currently has only 1.0 FTE in cybersecurity. Hale noted the risk is being taken

seriously yet management is cautious not to add costs to the plan. Hale noted there are other third-party vendors with access to sensitive information.

Hale said they have contracted with Black Kite, a cyber risk platform who evaluates risk for third-party vendors, including PacificSource. They are completing a real-time analysis and should risks arise, the County can address these risks real-time. In contrast, the SOC report is a point in time analysis. Hale said that Black Kite's score for PacificSource is currently favorable based on the tools assessment.

Commissioner DeBone spoke about the Claims Reserve, noting that the reserve was healthy for a long period of time, then costs increased sharply.

Responding to Foott, Bolken spoke about the oscillation of the Health Benefits Fund balance in 2023-2024, as illustrated on the line graph on one of Pape's slides. He attributed much of these cost increases to pent-up demand and delayed procedures/ surgeries due to the COVID-19 pandemic, coupled with inflation. He emphasized that St. Charles is the region's only hospital and drives the costs. Another factor is that hospitals struggled to keep facilities staffed, and staffing with travelling nurses came at higher costs. As a result of these and other factors, contingency was burned through quickly.

In response to these driving factors, County departments' rates were increased, and the plan was redesigned to make it more sustainable. The Employee Benefits Advisory Committee (EBAC) made a recommendation to the Board of Commissioners, in an effort to save \$2 million the following plan year. The Board subsequently approved a package of recommendations.

Responding to Dennison, Pape discussed why the Deschutes County employee data shared by PacificSource was not anonymous and was rather linked to employees by name. The type of data shared was needed to meet the audit parameters and objectives.

c) In-process and Upcoming

- **Sheriff's Office Body and Auto Cameras** – Field work is being wrapped up.
- **May 2025 Election** – Preliminary conclusions have been shared with the department.
- **Houselessness** – This audit is on hold and is still in the preliminary planning stages.
- **Status Report** – A link to the status report is provided in the agenda, outlining how the Office of Internal Audit spends its time on different activities.

V. Special Topics

a) Scope limitations impacting audit oversight and ability to draw and report on audit conclusions:

- **Sheriff's Office Body and Auto Cameras** – Pape reported scope impairments related to the Sheriff's Office body and auto camera audit result from the department not wishing to share a random sample of this data with Internal Audit. Conclusions on the audit objectives cannot be drawn without access to this data. Pape was told by Captain Bailey that only staff with a "need to

know” are allowed access to such criminal justice information, and to date Pape has not been provided with an explanation as to why Internal Audit does not qualify as need-to-know employees. Pape’s interpretation of the Audit Code is that Internal Audit should have access to criminal justice information. On May 27th, Pape made the most direct request to the department and on June 11th, she was told they would not provide it.

Pape noted that Internal Audit has accessed criminal justice information in the past. There is a history of auditors accessing this type of information. Lelack emphasized the large volume of requests Sheriff Rupert is currently fielding since he was sworn in as Sheriff. Commissioner DeBone echoed Lelack’s comments, urging continued patience.

Jodi Burch suggested Pape investigate her ability to obtain Criminal Justice Information System (CJIS) certification, which includes an extra background check, fingerprinting and specialized training.

The committee directed Pape to put this audit on hold, pending the outcome of a future conversation between Pape, Chair Parrish, Commissioner Adair, and Sheriff Rupert.

- **May 2025 Election** – Internal Audit was unable to draw conclusions related to the Clear Ballot system, due to the department not wishing to share related information with Audit. Pape spoke about the scope of this audit. Information security related to the Clear Ballot system, which tallies the votes, came up as a high-risk area. In determining the audit objectives, she met with a diverse group of community stakeholders.

Clerk Dennison cited a state law related to public records requests and was hesitant to share this information with Internal Audit. Pape assured him that she would keep this information confidential, but Dennison is still not comfortable sharing this data. Dennison spoke at length about his concerns over information security around the Clear Ballot system. He elaborated on the ballot batch tally processes and procedures, adding that his department conducts its own internal audits and testing. Dennison stated that his department has a good reputation. The department follows the law and is consistent. He feels this audit casts a shadow of a doubt, which is unfortunate.

Pape added that a risk assessment was completed and the risk within the Clear Ballot system rose to the top as an Audit objective, while acknowledging that Audit is unable to look at everything.

Anderson expressed some skepticism over the Clerk’s Office citing state laws related to Public Records Requests as a reason not to divulge the information requested by Audit. Anderson stated it is important that Department Heads have confidence in the Office of Internal Audit.

Commissioner Adair noted the importance of having an independent Auditor.

Foott said it is important for voters to be confident in the integrity of the County's system for tallying ballots. The question is how this information can be shared, while maintaining the security of sensitive information. Dennison spoke to his department's transparency around the processes.

Lelack shared that Deschutes County is fortunate to be one of four counties with an Internal Auditor, as 32 counties in Oregon do not have one. He applauded Dennison for doing a "phenomenal" job.

It is Commissioner Adair's desire that the voter rolls throughout Oregon are cleaned up, citing instances in which individuals move outside the state of Oregon and do not complete the appropriate forms.

The committee directed Pape to proceed with the May 2025 Election audit, noting the scope impairment related to Clear Ballot information security.

- **911 Service District** - Pape said that County Legal shared that the Audit Code did not apply to 9-1-1. Since the code doesn't apply to them, 9-1-1 was not included in the risk assessment for next year's work plan. Dave Doyle elaborated, explaining that 9-1-1 is a County Service District, and not a County department. Pape noted there is an MOU between the County and 9-1-1 which states that the County will provide the district with administrative services, and Internal Audit does fall under the umbrella of Administrative Services. She views this as a deviation to past practice. Pape emphasized that Audit is independent of management, not at the direction of management. She highlighted some previous audits which included 9-1-1. The former Internal Auditor proceeded with those audits without the information that the Audit Code does not apply to 9-1-1.

Lelack elaborated on the difference of opinion. Doyle emphasized that 9-1-1 is not a County department and is unique in that they have their own tax base, finances, and insurance. 9-1-1 is a legally separate entity.

After lengthy discussion, 9-1-1 was removed from the work plan for the Office of Internal Audit. Should 9-1-1 ask for an audit on a particular topic, it would be as a consulting service and may not classify as an audit.

VI. Other Discussion Items

- a) **Administrative Update** – Lelack did not have an update on any administrative items.

VII. Executive Session under ORS 192.660 (2)(i), review and evaluate employment related performance

- a) **Annual Performance Review for County Internal Auditor** – At 3:12 p.m., Elizabeth Pape and those individuals not serving on the Audit Committee, excused themselves for the Executive Session portion of the meeting. Brenda Fritsvold, Board Executive Assistant, composed minutes for the Executive Session portion of the meeting.

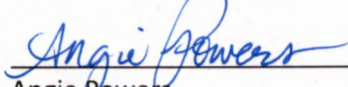
Audit Committee members submitted their performance review forms to Human Resources Department Head, Susan DeJoode.

VIII. Adoption of Annual Performance Review for County Internal Auditor

IX. Closing and Adjourn – Chair Parrish adjourned the meeting at 3:16 p.m.

The next hybrid meeting is scheduled for October 10, 2025 at 1:00 p.m.

Respectfully submitted,



Angie Powers

BOCC Administrative Assistant