Audit Committee

12:00 PM

Via Zoom: (link)

Meeting ID: (ID)   Passcode: (passcode)

Deschutes County Administration Services Building,
1st Floor, DeArmond Conference Room

I. **Call to Order**

II. **Introductions/Notices**

III. **Review/Approve minutes from [previous date's] meeting**

IV. **Special Topics**

V. **Internal Audit Report**

VI. **General Follow-Up and Department Updates**

VII. **Other Discussion Items**

VIII. **Closing & Adjourn**

For Recording Stamp Only

Minutes of the Meeting of the

Deschutes County Audit Committee

Date: April 17, 2026

Location: Deschutes County Services Building, DeArmond Room and via Zoom

1300 NW Wall Street, Bend, OR 97703

x	**Facilitator**: Elizabeth Pape, County Internal Auditor		
x	Megan Hillyard, Performance Auditor		
Audit Committee Public Members (6 members)			
	Daryl Parish, Chair		Phil Anderson
x	Jodi Burch *(via Zoom)*	x	Liz Foott *(via Zoom)*
x	Joe Healy, Vice Chair		Kristin Toney
Audit Committee County Management Members (3 members)			
x	Patti Adair, County Commissioner *(via Zoom)*	x	Steve Dennison, County Clerk
x	Lee Randall, Facilities Director		
Others Present:			
x	Nick Lelack, County Administrator and Ex-Officio Member	x	Whitney Hale, Deputy County Administrator
x	Erik Kropp, Deputy County Administrator	x	Bill Kuhn, Treasurer
x	Angie Powers, BOCC Administrative Assistant	x	Jana Cain, Controller Finance *(via Zoom)*
X	Dave Doyle, County Legal Counsel *(via Zoom)*		

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

I. **Call to Order:** Vice Chair Healy called the meeting to order at 1:06 p.m. Technical difficulties encountered with the video conferencing system delayed the meeting's start time.

II. **Introductions & Notices:** Elizabeth Pape introduced Megan Hillyard as the Office of Internal Audit's new Performance Auditor. She worked for the Washington State Department of Ecology.

III. **Approval of the Minutes of the February 13, 2026 meeting**
Motion: Healy moved approval of the February 13, 2026 Audit Committee meeting minutes

Second: Randall
Votes: All yes. Motion carried

IV. Internal Audit Reports

a) No reports completed

b) Elected Sheriff Transition – Pape said the original audit report was published in February 2025, representing the transition between Sheriff Nelson and Sheriff van der Kamp. Pape noted that no audit was performed for the transition between Sheriff van der Kamp and Sheriff Rupert due to van der Kamp's short tenure. The subject audit's recommendations were implemented when Sheriff Rupert was appointed. Sheriff Rupert and Business Manager Jeff Price were unable to attend this meeting.

During the subject audit, a top concern of the Sheriff's Office (DCSO) was the high vacancy rate. There was a 15% average vacancy rate in both the Corrections and Patrol divisions. Pape found that some successful transition planning did take place, and the department complied with the statutory requirements of ORS 206.

Pape summarized the report's recommendations, noting that three have been resolved and one remains in process.

<u>In-process recommendation</u>:

- Audit found that payments were being split to avoid competitive procurement. DCSO is finalizing plans for new dedicated procurement staff.

<u>Resolved recommendations</u>:

- Audit found that approximately $900,000 in payments for vehicle outfitting and uniform purchases were made without contracts in place to protect the County from risk. DCSO staff entered into a cooperative agreement with the City of Salem for uniforms and a statewide agreement for vehicle outfitting.
- Financial statements for the Central Oregon Law Enforcement Services (COLES) were overdue. The FY25 financial statements will be submitted soon, so this finding is not yet fully resolved.
- *Resolved after the report was issued:* Late financial reporting reduces transparency and accountability. DCSO has entered into an intergovernmental agreement with County Finance to delegate this responsibility.

Audit will continue to report on the status of the one in-process recommendation annually. Pape suggested a couple of prompts for potential discussion topics related to this audit, one of which was discussed in depth: "Is a dedicated new position a proportionate response to the split-payment finding, or could we expect reviews built into existing oversight?"

As split payments are a procurement challenge, Randall noted that the Facilities department has three or four staff members who handle procurement as part of their job duties.

Hale noted it is within the DCSO's discretion to determine how to respond to the audit recommendations, and it would be preferable to have DCSO representatives in the room for the discussion. Kropp concurred, adding that a new DCSO procurement position is an operational issue which is outside the purview of the Audit Committee.

Pape responded that DCSO received the report and these slides but were unavailable to attend today's meeting. DCSO responded in the form of their response to the audit findings.

Kuhn shared that he serves a dual role as a Fair and Expo Board member as well as the elected County Treasurer. In his view, discussion topics such as this one should be built into the DCSO's response to the audit findings, as opposed to Audit dictating how the department may be restructured.

Lelack noted how busy the DCSO has been with other important matters such as budget preparation and labor contract negotiations, noting that the advance notice of this meeting provided may have been too short for them to be able to provide an adequate management response.

Vice Chair Healy suggested deferring this discussion and inviting the DCSO to the next meeting. Foott concurred.

Responding to Dennison, other elected official transition audits which are upcoming include those for the Treasurer and Assessor. The commissioners are not included as they are not in administrative roles. Additionally, appointed department heads are not included in transition audits.

c) **In-process and upcoming:**
- **Houselessness** – Pape said that this audit is ongoing, and she is synthesizing the information and will assemble preliminary findings.
- **Courthouse Construction** – Pape reported this audit is still in progress. She has met with staff, the architect, and the construction manager, and has plans to meet with the contractor. Concrete objectives will soon be shared with staff.
- **Status Report** - The status report indicates how time was allocated by Office of Internal Audit staff. A hyperlink to the report is included in the online agenda, and print copies were made available to in-person meeting attendees.

V. Special Topics

a) **Internal Control Overview** – Educational topic
- **What is internal control** – The framework was adopted in the 1970s and identifies processes that will make it easier for organizations to be certain their financial statements are accurate. Different components apply across different levels of goals.

Despite the confusing jargon which can be difficult to understand, it is a relevant framework which helps government establish goals, safeguard resources, and operate efficiently.

Pape likened internal controls to a journey at sea, with the following essential steps:

1. Set direction
2. Anticipate risk
3. Mitigate risk
4. Correct the course
5. Report results

Internal controls instill ethics, with Pape emphasizing the importance of the tone at the top.

- **How does it apply** – Pape shared specific examples from different departments for each of the five steps.
- **Why does it matter** – Internal controls make change manageable and repeatable within the scope of what management controls. They don't rely on individual effort or institutional knowledge and are not compliance fixes. They are something you can change to ensure that the problem does not happen again. Internal controls make expectations explicit and testable.
  - Despite being intimidating to managers, internal controls are a catalyst for success. A risk assessment is exposing vulnerabilities, and while it can seem like red tape it has more meaning. The framework helps all parties: management, the Audit Committee, and the Office of Internal Audit.
  - Internal controls provide for more consistent oversight.

Speaking from his real-world experience, Healy said that internal controls ensure trust and transparency to the public and those individuals who are reviewing an entity's financial statements. It is a collaborative process, and fraud has been discovered when internal controls were changed. Risk assessments need to be ongoing and are not a one-and-done process.

VI. Other Discussion Items

a) Administrative Update

Nick Lelack, County Administrator, provided an administrative update. He was pleased to report that the County is fully staffed at the Department Head level. Recently welcomed were the new Solid Waste Director, Jeff Merwin and the new Fair and Expo Director, Jeff Curtis. The Assessor is not running for re-election so this may be an opportunity for an upcoming transition audit.

Budget Week takes place May 12 through 14. Budget books will be distributed to the Budget Committee on May 5.

Four Collective Bargaining Agreements (CBA) are in the process of being finalized. The CBA with the District Attorney's Association was recently finalized.

An important election is coming up on May 19, including elections for commissioners, Assessor and Sheriff. The League of Women Voters hosts a Candidate Forum on Monday April 20, here at the Wall Street Services Building.

Hale reported the public-facing website transition will go live near the end of next week. She credited staff for their efforts towards this end.

VII. Closing and Adjourn – Joe Healy adjourned the meeting at 1:50 p.m.

The next hybrid meeting is scheduled for June 12, 2026 at 12:00 p.m., in the DeArmond room of the Deschutes Services Building, and via Zoom virtual meeting platform.

Respectfully submitted,

Angie Powers

Angie Powers
BOCC Administrative Assistant