



For Recording Stamp Only

Minutes of the Meeting of the
Deschutes County Audit Committee

Date: June 13, 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		
x	Susan DeJoode, Performance Auditor		
Audit Committee Public Members (6 members)			
x	Daryl Parrish, Chair (via Zoom)	x	Summer Sears
	Joe Healy		Jodi Burch
x	Phil Anderson	x	Kristin Toney
Audit Committee County Management Members (3 members)			
x	Patti Adair, County Commissioner	x	Charles Fadeley, Justice of the Peace (via Zoom)
	Lee Randall, Facilities Director		
Others Present:			
	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 Interim Director Human Resources	x	Steve Dennison, County Clerk
x	Angie Powers, BOCC Administrative Assistant	x	Kevin Mullerleile, Audit In-Charge Director Baker Tilly Moss Adams (via Zoom)
x	Amanda Moore, Engagement Reviewer and Principal Baker Tilly formerly Moss Adams (via Zoom)	x	Bill Kuhn, County Treasurer
x	Jana Cain, Deschutes County Finance Controller	x	Chris Doty, Director Road Department (via Zoom)
x	Tim Brownell, Director Solid Waste (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 12:02 p.m.

II. Introductions & Notices: Those attending the meeting remotely and those attending in person, introduced themselves.

III. Approval of Minutes from the April 11, 2025 meeting - Note: This agenda item followed item IV. Special Topics a) External Audit Plan for FY26.

Motion: Phil Anderson moved approval of the April 11, 2025 Audit Committee meeting minutes

Second: Chair Parrish seconded the motion

Votes: All yes. Motion carried.

IV. Special Topics

a) External Audit Plan for Fiscal Year 2026 – Moss Adams

Amanda Moore reported that effective June 3, Moss Adams merged with Baker Tilly and moving forward, they have taken on the Baker Tilly name. Baker Tilly will be the sixth largest CPA firm in the United States. The County will work with the same team, and will benefit from expanded resources due to the merger. Moore summarized the advantages of the expanded national footprint. In addition to Moore and Mullerleile, Ashley Osten is another member on the County's External Audit management team.

Kevin Mullerleile shared a slide presentation on the 2025 Audit Plan.

Baker Tilly is required to speak to the Audit Committee twice per year, the first of which is today's entrance meeting when they will communicate their audit plan, the timing of the audit and Baker Tilly's responsibilities. Mullerleile summarized Baker Tilly's responsibilities and the audit standards. He then summarized the audit process, including internal controls, analytical procedures and substantive procedures, and provided examples that fall under each of these categories.

A risk assessment of internal controls will take place in September. Once County Finance has completed year-end balances, the team will return in October and complete substantive testing. Mullerleile spoke briefly about materiality, defined as "the amount of a misstatement that could influence the economic decisions of users, taken on the basis of the financial statements." It is calculated using quantitative and qualitative factors.

As summarized on a slide, Mullerleile discussed five significant audit areas. The audit will include a consideration of material fraud in the financial statements. Special attention will be given to recordings in journal entries and revenue recognition is considered. Auditors must consider fraud to "improve the likelihood that auditors will detect material misstatements due to fraud in a financial statement audit."

Mullerleile spoke about the audit timeline. Apart from today's entrance meeting, September through December is the timing of their fieldwork and reports/results. They will visit the Audit Committee in December to share the audit results and report.

Mullerleile said there are two new accounting standards for FY25: GASB Statement 101, Compensated Absences and GASB Statement 102, Certain Risk Disclosures. He spoke about sick leave balances as they relate to compensated absences which may now show

up as a liability. Concentrations and constraints are Certain Risk Disclosures, they must be disclosed if they were to take place within twelve months of the audit report date.

Mullerleile provided contact information for the Baker Tilly management team.

Responding to Judge Fadeley, Moore said that federal funding factors would need to have a significant impact to the County and would appear as a note disclosure rather than an impact to accounting.

Commissioner Adair asked about Oregon Senate Bill 916, and if it would be recognized on the statements. Moore said that if layoffs resulting from SB 916 relate to union contract employees, these impacts would need to be considered. Additionally, Mullerleile said that if a major service provided by the County will no longer be provided due to layoffs, it would also need to be considered.

b) Biennial Audit Plan Development 2026 / 2027

Pape summarized the methodology used to develop the Audit Plan, noting that the plan includes carryover audits that were not completed in FY25. Pape noted that Internal Audit maintains an 8-year cycle for integrated audits and attempts are made to reach all departments.

A new development per County Counsel is that the 9-1-1 Service District is excluded in the interpretation of the Audit Code.

Pape noted that integrated audits require abundant resources, but these audits are often met with resistance from managers. It has been difficult to execute these audits due to the lack of responsibility taken.

Historically, there was a heavy focus on cash handling due to potential risk, but less cash is passing hands now. If an audit reports no findings related to risk level, it puts a burden on Internal Audit should something go wrong, and it was not reported. Pape asked for the Committee's input as it relates to integrated audits.

Pape summarized work in progress and carryover projects from the FY25 work plan, including election controls, sheriff body and auto cameras, houselessness, and recruitment/retention. The recruitment and retention audit has been put on the back burner due to staffing shortages in Human Resources.

Pape shared a list of FY26 project areas. She then summarized FY27 project areas, noting that due to its size, the Sheriff's Office is revisited more frequently than every 8 years for integrated audits.

Pape shared a list of additional topics that did not make it on the list and asked the Committee to consider whether any topics on the list should be a higher priority and added to the list for FY26 or FY27.

An overall summary of FY26 and FY27 project areas was shared, including the total number of hours estimated to complete each proposed audit.

Toney suggested removing the Human Resources (HR) Integrated Audit from FY26 and replacing it with a Procurement Audit since procurement is a high-risk area. Responding, Pape said she is looking forward to the HR audit as it may provide the new HR Director with a status update. Sears concurred with Toney about the importance of a procurement audit, adding that she appreciates the cyclical nature of the integrated audits. Pape estimated a Procurement Audit at 300 hours of staff time. Pape noted that regular audits average 300 hours and integrated audits average 150 hours, so they are not a 1:1 comparison in terms of staff time.

Commissioner Adair applauded the County Road Department for their operations and management and proposed bumping the Road Integrated Audit to FY27. Pape responded that the Road department has not been audited in many years and are due. She advocated for leaving it on the list for FY26. Information Technology (IT) hasn't been audited but as they are not outward facing and do not collect cash, the risk is lower. The Sheriff's Office is on a four-year cycle for integrated audits due to its size.

An in-depth discussion ensued related to the proposed work plan for FY26 and FY27.

As Interim Director of Human Resources, Whitney Hale shared her perspective stating that although an HR Integrated Audit could be a useful transition tool for the new HR Director, it would be preferable to postpone this department's audit. She cited a couple of reasons, including but not limited to the fact that HR will soon be implementing the Wage and Equity project and the department is currently down 4 FTE.

Chris Doty, Director Road Department and Tim Brownell, Director Solid Waste, shared their departments' perspectives. Doty discussed Road services to outside agencies, noting that risk is low in these areas due to the use of Intergovernmental Agreements. They bill \$500,000 to \$1,000,000 per year to partner agencies for road services: U.S. Forest Service, BLM, ODOT, and Special Road Districts. He would request that any Road Department audit take place in the fall or winter to avoid the summer road maintenance season. Brownell noted multiple Solid Waste capital projects, if approved by the Board of Commissioners, to begin in 2027-28. He welcomed a Solid Waste Integrated Audit.

Pape noted there is flexibility with the timing and order of the items on the list.

Motion: Toney moved adding a Procurement Audit to the FY26 Audit Work Plan and removing the Human Resources Integrated Audit from the FY26 work plan and removing the Sheriff's Office Integrated Audit from the FY27 work plan. Additionally, the motion includes combining the Road Services to Outside Agencies Audit on the FY27 list with the Road Integrated Audit on the FY26 list (estimated at 400 hours total).

Second: Chair Parrish

Votes: All yes; motion passed.

Responding to Commissioner Adair, Cain said that the County's Procurement Officer, Heather Herauf, is currently working with 10 of 20 County departments. Pape emphasized that a Procurement Audit would not be an audit on the Procurement

Manager herself, but rather on the overall internal controls on contracts, payments, and County procurement rules.

Chair Parrish believes the Transient Lodging Tax (TLT) Audit is an important audit and prefers for it to remain on the list for FY27.

c) 2025 ALGA Conference

Pape attended the annual Association of Local Government Auditors (ALGA) conference on May 5-6 in Minneapolis. An important discussion related to the politicization of audit functions. An example provided was an attempted audit of an Iowa school voucher program that was blocked because the state legislature limited their access to information. The impact of the Department of Government Efficiency (DOGE) on local government auditors was also discussed. Auditors are not political, but rather independent, and rely on standards to justify audits. Audit work is methodical and objective, and Auditors must work harder to gain trust.

Pape attended a fraud training course and learned a lot about evidentiary standards for investigations. The use of Smart Sheets for audit follow-up was another interesting topic, shared by a Cincinnati audit shop.

Pape initiated an audit report “book club”. The group reads an out-of-state audit report and meets monthly to discuss key takeaways. Local government audit groups from across the state are participating. Toney shared with Pape and DeJoode via email, a report out of Denver on workplace culture.

V. Internal Audit Reports

a) In-process and Upcoming

- **Sheriff’s Office (DCSO) Body and Auto Cameras** – Pape discussed scope impacts to this audit. The DCSO does not want to share the footage with Internal Audit, due to sensitive criminal justice information contained in the videos. Subsequently, this audit will be written up with significant impairment of scope.
- **May 2025 Election Controls** – One objective looks at IT controls around the Clear Ballot ballot-counting software as it is a high-risk area. State Law requires a security plan and exempts this data from PRA requests. Discussion ensued related to Audit requests versus public records requests. Not having this information constitutes a significant impairment of scope.
- **Houselessness** - This is a large and broad topic, and Internal Audit is currently in the process of surveying multiple departments to gather background information. The scope of this audit will be narrowed down and is estimated at 450 hours.
- **Status Report**

The Fair and Expo RV Park and the Courthouse Pre-Construction Audit reports are coming out shortly.

Related to scope impairments, Pape led a discussion on Audit’s access to information, highlighting sections of Chapter 2.14 of the Deschutes County Code. County Counsel

disagrees with Audit's interpretation and believes it is appropriate for the Sheriff's Office and the Clerk's Office not to share the requested information.

Scope impairments mean that Pape is unable to follow through with what the Audit Committee has tasked her to do. Chair Parrish said it would be helpful for County Counsel Dave Doyle to attend the next Audit Committee meeting and explain their interpretation. The Committee wishes to also invite Sheriff van der Kamp and expects that Clerk Dennison will be in attendance as the new Elected Officials representative on the Committee. Committee members shared their perspective on audit scope and access to information.

Elizabeth Pape shared that she and Chair Parrish are soon meeting with County Administrator Nick Lelack and Commissioner DeBone, to discuss the scope of audit work. Dennison said that elections are critical infrastructure, and it is important for him to maintain critical infrastructure and the integrity of elections. He does not feel he is obligated to share this data with anyone. Pape said that an option would be for a portion of the Election Controls Audit report findings to be confidential, but Clerk Dennison is not comfortable with this option.

VI. Other Discussion Items

- a) **Administrative Update** – Whitney Hale shared there are active recruitments for both the Human Resources and the Health Services Directors.
- b) **Farewell to members with terms expiring** – Pape celebrated Judge Fadeley and Summer Sears, thanking them for their service on the Audit Committee. Clerk Steve Dennison is replacing Judge Fadeley as the Elected Officials representative and is actively recruiting for Summer Sears' replacement as public member on the Committee.

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

- a) **Annual Performance Review for County Internal Auditor** – The Committee entered Executive Session under ORS 192.660 (2) (i) at 1:45 p.m. At that time, the following individuals left the room: Kristin Toney, Susan DeJoode, Angie Powers, Jana Cain and Bill Kuhn. At 2:40 p.m., Whitney Hale and Erik Kropp exited the room, and Angie Powers entered the room for the remainder of the Executive Session.

VIII. Adoption of Annual Performance Review for County Internal Auditor – The Committee exited Executive Session at 2:58 p.m.

IX. Closing & Adjourn: *Being no further issues brought before the Committee, Chair Parrish adjourned the meeting at 2:58 p.m.*

The next hybrid meeting is scheduled for Friday, August 8 at 1:00 p.m.

Respectfully submitted,


Angie Powers
BOCC Administrative Assistant