



For Recording Stamp Only

Minutes of the Meeting of the
Deschutes County Audit Committee

Date: August 16, 2024

Location: Deschutes Services Building, 1300 NW Wall St, Allen Conference Room

x	<i>Facilitator:</i> Elizabeth Pape, County Internal Auditor		
Audit Committee Public Members (6 members)			
x	Daryl Parrish, Chair		Summer Sears
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		Charles Fadeley, Justice of the Peace
x	Lee Randall, Facilities Director		
Others Present:			
	Aaron Kay, Performance Auditor	x	Nick Lelack, County Administrator and Ex-Officio member
	Erik Kropp, Deputy County Administrator	x	Whitney Hale, Deputy County Administrator (via Zoom)
x	Dave Doyle, Legal Counsel	x	Pauline Word, Paralegal
x	Robert Tintle, CFO	x	Bill Kuhn, Treasurer
x	Jana Cain, Accounting Manager/Controller		

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

I. **Call to Order** Chair Parrish called the meeting to order at 1:03 p.m.

II. **Introductions / Notices**

III. **Approval of Minutes for July 18, 2024 Regular Meeting**

Motion: Phil Anderson

Second: Chair Parrish

Votes: All yes

Motion carried.

IV. Internal Audit Reports

a. County Legal Integrated Audit

- County Counsel, Dave Doyle and Paralegal, Pauline Word were in attendance representing the department. Pape noted that this was an integrated audit.
- Elizabeth Pape summarized the functions of the Deschutes County Legal department. The department is overseen by Dave Doyle who is appointed by the Board of Commissioners. Additionally, the department employs four attorneys and two paralegals. The bulk of the department's expenses are for personnel services.
- The department collects the bulk of their fees for public records requests. Their revenue has doubled since 2019.
- Pape provided an overview of the audit's objectives and the scope of the fieldwork, which consisted of interviews and checklists for staff, information systems reviews and best practices.
- Pape summarized audit findings and recommendations.
 - She noted that performance measures tell a story about how work at the County is performed. Legal has two performance measures. One finding was that performance reporting did not provide clear information about how well the department functions. Recommendations were made to improve their performance reporting.
 - A second finding was that some financial procedures did not address risks, including segregation of duties, accounting and reconciliation. The recommendation is for a Fraud Risk Assessment with documented outcomes. Pape noted that she's received pushback from other department heads (not Legal) on Internal Audit's recommendation for a Fraud Risk Assessment.
 - Pape distinguished observations from findings. Findings include all these elements: criteria, condition, cause and effect and recommendation, and observations do not include all these elements. Observations were that payment/purchasing cards were being used appropriately, Information System (Filevine) controls were in place considering low-risk use. It was noted that document procedures for assigning user roles and levels of access were absent, but no recommendations were made due to the low-risk nature of their use of Filevine.
 - Pape commended the department on their safe office space and accessibility program, noting that County Legal has the best attendance at safety committee meetings and has had no ADA complaints. Additionally, employee performance reviews were on time and complete.
 - Dave Doyle thanked Audit for putting eyes on their processes and noted that his department's responses are in the report.

b. Follow-ups

- **Continuity of Operations Plans (COOP)**
 - Whitney Hale provided an update on Administration's progress towards Audit's recommendations. Administration, partnering with DCSO Emergency Operations Unit, has determined the County will be better served with an in-house COOP software system (a SharePoint-based tool). They are partnering with the IT team, noting that Washington

County has had success using a similar system. Hale is hopeful that this will be completed by the end of the calendar year. Back up COOP planners and back-up planners have been identified. Training for COOP planners is scheduled for September, and they are engaging with the State to coordinate a large group training. Hale's hope is that the timeline for training and software completion line up and departments can update and develop new COOP plans beginning in January 2025.

- One Audit recommendation was to develop a training program for all personnel. The Communications team is working with Emergency Services on developing a video, to be completed by the end of the calendar year and assigned to all new County employees. Additionally, this training will be integrated to the online learning portal for all existing staff.
 - Another Audit recommendation was for regular tabletop exercises. Emergency Services and Hale are working on 3-to-5-year plan of recurring tasks and trainings.
 - Pape noted that as Aaron Kay worked on this audit his interest was piqued and he was certified in Emergency Operations. His services have been offered to help implement as a non-audit service. Independence will be maintained, and any future audits will be performed by Pape.
 - **Behavioral Health Practices Improvement**
 - Pape reported that significant improvements have been made in all nine recommendation areas. They have improved onboarding, intern supervision, case distribution and expanded staff training. Three workgroups are working on productivity measures for clinicians. They are working with a consultant to verify the accuracy of their data and optimize client intake/discharge procedures.
 - **Facilities and Property Management Cash Handling**
 - Recommendations were made to both departments. Procedure updates will include cash handling activities and updates to Property Management's fee schedule for foreclosure fees, to better account for a change in state law.
 - One recommendation that is still in the planning phase relates to disclosure of a conflict of interest identified at the start of audit. This conflict was disclosed in Executive Session which doesn't align with state laws. HR is updating policy on disclosing conflicts of interest. Pape feels this is an important topic as another conflict of interest came up through the Whistleblower hotline, generally Countywide. Pape noted that the Global follow up report will provide an update to this item.
- c. **Status Report** – Pape shared the Internal Audit Status Report, which illustrates where she and Kay spend their time in these areas: audits, administrative, audit committee, follow-ups, non-audit work, Whistleblower Hotline and Continuing Professional Education (CPE). Completed audit work and accomplishments were summarized. Responding to Chair Parish, Pape said that CPE is Continuing Professional Education.
- Responding to Adair, Pape said they've had two tips come through on the Whistleblower Hotline and the reports will be wrapped up shortly. Responding to Lelack, Pape said if there's a substantiated finding of fraud, waste, or abuse, the report will be shared with the committee, noting the

name of the person reporting will not be included in the report. If the finding is not substantiated, it is not reported on as they are not required to do so. Pape said that Audit will report annually on the hotline.

- **In-process and Upcoming**
 - **Courthouse Renovation Pre-Construction Audit**
 - **Health Benefits Third Party Administration**
 - **Translation and Interpreter Services**

V. Special Topics

a. Bylaws Proposal

- Pape opened a discussion of bylaws. As the Audit Committee matures, she suggested the committee can determine whether to draft bylaws. She pulled some bylaws from another County's Audit Committee to use as a template. Pape noted that many items are already in County Code and are dictated by the Board of Commissioners so cannot be changed. Many other areas can be changed at the discretion of the committee members.
 - Some areas of bylaws were discussed: Mission Statement, meeting schedule (frequency), nominations for vacancies, attendance and grounds for removal.
 - The current process of filling vacancies was discussed. Currently, Audit works with Human Resources (HR) on outreach as an open recruitment process. The committee screens the applicants and Pape, Kay, Chair Parish and Commissioner Adair interview the candidates and make a recommendation to the Board of Commissioners for appointment. Pape suggested that the committee may wish to consider taking on a more active role in the process of application review, interviews, and recommendation to the Board of Commissioners.
 - Phil Anderson stated that it is important to remember that bylaws last as a foundational document to apply to committees down the road. The committee may participate in the screening and nomination of the new committee members, and he suggested keeping it broad in scope. Pape advocated for making the process more specific.
 - Discussion ensued clarifying committee makeup, including staff members (department heads and elected officials) and public members.
 - Attendance was discussed. Chair Parish said it is important to have some expectations set related to attendance and believes that three consecutive unexcused absences without prior notification to the Chair being grounds for removal is too generous, and two consecutive unexcused absences is preferred. Anderson suggested clarifying who has the authority to remove (2/3 of the committee members, or 6 of 9 members), noting that as the BOCC formally appoints the member perhaps they should be tasked with removing the member. Lelack encouraged the committee to have County Legal review their draft of this section of the bylaws.
 - Officers, elections and duties were discussed. Currently, the committee only has a Chairman (Chair). It was proposed to add a Vice Chair, tasked with running the meeting in the absence of the Chair. The committee supported this proposal. Roles of the Chair and Vice Chair were

summarized. Elections take place at the end of the calendar year, and new officers take office effective at the February meeting.

- Lelack cautioned the Chair from being tasked with preparing the agenda, and suggested the Chair assist but the Internal Auditor has the authority to set the agenda. He cited an example from the Planning Commission as a cautionary tale.
- Pape noted that an impromptu subcommittee was created to work on the Internal Auditor's annual performance review and perhaps another could be formed to participate in the selection of the External Auditor.
- Randall said it is important that County Legal review the committee's draft bylaws. It was determined the committee approves the bylaws (with Legal's review), and final approval is by the Board of Commissioners.
- Lelack stated he appreciates the clarity provided by the proposed bylaws.
- Pape suggested the committee consider their values and mission statement. County Code dictates the roles and responsibilities of the committee, but these are distinct from a mission statement.
- Pape will bring a draft of bylaws to the October meeting.
- Conflict-of-Interest disclosure was discussed. Tintle suggested using language including "relative or household member".

b. Government Auditing Standards Section 9 – Reporting

- Pape noted the everyone can access the U.S. Government Accountability Office (GAO) Auditing Standards from the Internal Audit webpage on the County's website.
- She provided an overview of GAGAS Chapter 9: Auditing Standards for Performance Auditing. An overview of this chapter includes report compliance, format, content, responses, distribution, and confidential information (and whether omission could distort results), and requirements after reporting.
- Pape said the standard reporting compliance paragraph will appear at the end of all audit reports. A report must be completed for every audit.
- One component of content includes drawing conclusions. Pape said reporting on conclusions can be difficult. Professional judgement is used in reporting what was found and what it means.

VI. Other Discussion Items

a. Administrative Update

- Lelack shared that the County's Health Services Director, Janice Garceau will retire in June 2025 and the County's Human Resources Director of ten years, Kathleen Hinman, has her last day on September 13. Hinman has accepted a job as the HR Director for Bend Parks and Recreation District.
 - Given our HR Director's departure, there may be questions about the Wage and Equity Study. Lelack stated there is no intent to slow down its forward progress.
- Lelack shared that a successful petition has been filed for a ballot measure changing the Deschutes County Commission from three to five members. The DA's Office will create the official ballot measure language, and this will appear on the November 5th ballot. All five commissioners would be at-large,

with no districting. Should the measure pass, the May election would have two new seats for 4-year terms and two seats up for re-election which would serve 2-year terms.

b. Input from Committee on upcoming internal control presentation – Jana Cain

- Jana Cain presented on Internal Controls. She solicited input from the committee what they'd like to see and provided a list of key areas the External Auditor examines during their annual audit. Areas include: purchasing, property taxes (assessment and collection), payroll, inventory (road fund), reimbursable grant revenue, financial close and reporting, debt, charges (Solid Waste, Fair & Expo, RV Park, Health Services (HS), HS Environmental Health, HS Internal Services Funds revenue), cash and investments, capital assets, and vendors/accounts payable.
- Responding to Commissioner Adair, Cain said they don't closely look at grant matches, noting that Health Services has their own financial and accounting team.
- After some discussion, it was determined that Jana will present on Purchasing and Vendors/Accounts Payable at the committee's October meeting, then Payroll at the subsequent meeting.

c. Committee Information

- Pape provided a link to the webpage which provides resources for the committee.

VII. Closing and Adjourn: *Being no further issues brought before the Committee, the meeting was adjourned at 2:49 p.m.*

After the meeting is adjourned, Lee Randall will share a brief presentation about the Facilities Department and tour for any attendees who are interested in staying.

The next meeting is scheduled for Friday, October 11, 2024 at 1:00 p.m.

Respectfully submitted,



Angie Powers

BOCC Administrative Assistant