



For Recording Stamp Only

Minutes of the Meeting of the  
**Deschutes County Audit Committee**

Date: April 11, 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 (via Zoom)	x	Summer Sears
x	Joe Healy		Jodi Burch
x	Phil Anderson	x	Kristin Toney
Audit Committee County Management Members (3 members)			
	Patti Adair, County Commissioner	x	Charles Fadeley, Justice of the Peace (via Zoom)
x	Lee Randall, Facilities Director		
Others Present:			
x	Nick Lelack, County Administrator and non-voting Ex-Officio member	x	Erik Kropp, Deputy County Administrator
x	Whitney Hale, Deputy County Administrator	x	Angie Powers, BOCC Administrative Assistant
x	Robert Tintle, Chief Financial Officer	x	Bill Kuhn, Treasurer
x	Jana Cain, Controller (via Zoom)	x	Steve Dennison, County Clerk (via Zoom)
x	Dave Doyle, County Counsel	x	Susan DeJoode, Incoming Performance Auditor (via Zoom)
x	Pauline Word, Paralegal		

*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:** Summer Sears called the meeting to order at 1:00 p.m.

**II. Introductions / Notices:** None

**III. Approval of Minutes from the February 14, 2025 meeting**

**Motion:** Kristin Toney moved approval of the February 14, 2025 Audit Committee meeting minutes

**Second:** Joe Healy seconded the motion

**Votes:** All yes. Motion carried.

**IV. Administrative Update** – Nick Lelack provided four key updates:

- First-round interviews for the Human Resources (HR) Director recruitment are scheduled for Monday, April 14. The second round will take place near the end of April. He recognized the dedication of Whitney Hale and Erik Kropp, who have been serving in the roles of Interim HR Director and HR Manager, respectively.
- The first attempt to fill the Health Services Director position was unsuccessful, and they will relaunch this recruitment on April 18. Janice Garceau, currently serving in this role, retires at the end of May.
- The Board of County Commissioners (BOCC) will become a Board of five, and the current Board has decided to move forward with the proposal to create districts. They will soon decide how to create a committee focused on creating districts. Some options include a civic assembly, a charter amendment committee or a local appointment. A district measure will appear on the May 2026 ballot.
- The Wage Equity Study is currently underway by consultant HR Answers. It will take place in three phases: equal pay, market analysis, and job classification review and development. The project is estimated for completion in fall 2025, and Whitney Hale is currently working with a staff-led steering committee. Responding to Sears, the implementation of the consultant's recommendations will not take place until all three phases are completed.

Sears noted the Audit Committee's desire to bump the Office of Internal Audit back up to 2.0 FTE.

**V. Internal Audit Reports**

- **Follow-up Custom Developed Software**

Pape said that this report was framed around the software development process.

Since 2016, the County has seen an upward trend in the number of decentralized departmental Information Technology (IT) employees. The County's IT department now has more federated employees than centralized. Pape summarized the pros and cons of a centralized versus a federated IT structure noting that with a federated system, it is important to have formal policies and procedures in place.

Since this audit was published in May 2024, two recommendations have been resolved. A new custom-developed software policy is nearly complete, and this policy includes uniform coding standards. As outlined in the report, 11 recommendations are in progress, and Pape summarized each of these noting that many are long-term goals.

Internal Audit will continue to monitor the department's progress towards each of these recommendations and will include an update in the annual global follow-up report in December.

- **Follow-up Clerk's Office Integrated Audit**

Pape provided an overview of this department's mission. Since the audit was published in June 2024, nine recommendations have been resolved and four are in progress as outlined in the report. Pape discussed each of these recommendations and the progress

towards each one. Steve Dennison, County Clerk, noted they will make significant progress towards these recommendations before the next report. He noted two long-tenured retirements and a presidential election impacting his department in recent months.

Responding to Chair Parrish, Dennison said that new federal voter registration requirements have not yet had an impact on his office as they currently follow state law related to identification and postmarks.

- **Follow-up County Legal Integrated Audit**

Pape provided an overview of County Legal's mission, their staffing and services provided. Since this audit was published in June 2024, two recommendations have been resolved, and one is in progress.

The report lists that more descriptive performance reporting is in process. Counsel Doyle shared that progress has been made on more descriptive performance reporting. He provided new improved performance measures to the committee which will be included in the County's quarterly reporting.

Counsel Doyle said that he appreciates the recommendations.

- **Fair and Expo Alcohol Sales – postponed to the last item**

Geoff Hinds, Director of Fair and Expo, was unable to attend today's meeting due to a delayed flight.

This audit was completed because the alcohol sales program at Deschutes County Fair and Expo (DCFE) has undergone some changes. The objective of this audit was to determine whether alcohol sales at the County Fair are cost-effective.

Prior to 2019, alcohol sales were handled in-house. During COVID-19, excess inventory remained after the fair and rodeo. Staff in charge of the program retired, and it had also become more difficult to hire temporary staff. Additionally, they were moving away from a beer garden model. These factors led DCFE to reconsider their alcohol sales model, and they ended up contracting with Oregon Beverage Services (OBS).

The first finding was that DCFE cannot demonstrate program success. In 2019, the prior in-house model had a 52% return on investment. In 2024, although sales increased, DCFE experienced only a 38% return on investment.

Three recommendations were made, and staff agreed with each of them.

1. Periodically evaluate program outcomes and compare them to an in-house program or other contractors if available.
2. Management should consult with Oregon Beverage Services and County Legal Counsel to evaluate risks in the current system and consider implementing a program with fewer risks.
3. Should DCFE choose to proceed with the current program, it should develop stronger liquor inventory controls including a system to document ownership transfer.

Another finding was that confusion causes risk. Contract language creates confusion over matters including the County's control over cash, payments, and ownership of the alcohol. Additionally, inventory responsibility and water sales were not covered in the contract. Pape highlighted that each time money or inventory transfers hands it creates risk. An alternate more streamlined concessionaire model was proposed, in which the contractor purchases alcohol from the distributor, the contractor then sells alcohol to attendees, and the contractor pays 38% of the revenue to DCFE.

Responding to Lee Randall, Kristin Toney said that based on her experience 38% is a decent rate of return. Pape said that DCFE's expectation is that their current model is meeting their needs.

- **In process and Upcoming**
  - **Sheriff's Office Body and Auto Cameras** – Pape is currently working with 9-1-1 and IT on acquiring the necessary call data.
  - **May 2025 Election Controls** – A risk assessment is currently underway, and Pape is interviewing representatives from local community voter groups to build an audit methodology around perceived risks.
  - **Status Report** – Internal Audit's status report was included in the packet, which illustrates the proportion of time spent on six different categories of work.

#### VI. Special Topics

- **New Performance Auditor** – Pape introduced the County's new 0.5 FTE Performance Auditor, Susan DeJoode. Susan has a background in Human Resources (HR) and owns an HR consulting business. Her start date is Monday, April 14.
- **Fiscal Year 2026 Budget Proposal** – Pape noted that the Office of Internal Audit now has its own ORG code, and it used to be lumped under Administration. Under personnel services, the impact of decreasing the Office of Internal Audit from 2.0 to 1.5 FTE equates to a savings of \$88,000 in FY26 over FY25. Pape provided an overview of categories that fall under materials and services, noting that an audit management software has been discontinued, as she found that Microsoft 365 Suite is sufficient for her purposes.

Budget week will take place May 12 through 14, 2025. Administration is scheduled for May 12 at 10:30 a.m.

Responding to Sears, Robert Tintle discussed Pape's slide illustrating the cost savings of reducing from 2 to 1.5 FTE in the Office of Internal Audit, noting that the County has experienced a 30% increase in employee health insurance costs. He noted that Pape's slide is a budget-to-budget comparison, and not actuals.

Related to this year's budget process, Tintle shared that the General Fund (GF) was charged with finding \$2.5 million in savings. He summarized those departments funded by GF. Each of these departments were limited to 3.3% growth and needed to locate savings, including personnel vacancy savings and materials and services savings. The Board of Commissioners has made it clear that no special requests will be granted for any GF-funded departments FY26. Tintle suggested the Audit Committee may wish to

consider providing testimony about their desire to staff the Office of Internal Audit at 2.0 FTE during the public comment section during the Budget Week meetings.

Responding to Anderson, Lelack confirmed that the BOCC considered the committee's recommendation in December, but a majority supported decreasing Internal Audit to 1.5 FTE.

Lengthy discussion ensued related to Internal Audit's FTEs. Toney would be more inclined to request 2.0 FTE if the 0.5 FTE Performance Auditor hadn't been filled. Sears was cognizant that the BOCC will soon be moving from a three to a five-member board.

It was determined that Chair Parrish will provide verbal public comment during Budget Week in May, on behalf of the public members of the Audit Committee. Tintle shared that the draft agenda for Monday, May 12 provides an opportunity for public comment. The meeting start time is 8:30 a.m.

- **Brainstorm Ideas for Next Two-Year Audit Plan –**
  - Pape will come back to the committee in June with a list of potential audit ideas for the committee to vote on, noting that the homelessness audit plan has carried over from the last list.
  - The committee brainstormed some ideas for the next two-year audit plan, including:
    - Tariff volatility and impacts on materials and services (Anderson)
    - Impact of dissolving the DEIA committee (Healy)
    - Effectiveness and efficiency (Toney), possibly coupled with Artificial Intelligence (Lelack)
    - Courthouse expansion project completion (Anderson). Randall shared that the estimated substantial completion date is August 2026.
    - Impact of federal funding freeze on Health Services (Parrish)
    - Solid Waste, separate from the new landfill siting (Parrish)
- **Member Terms Expiring –** Pape noted that Audit Committee terms expire on June 30, 2025 for three public members (Burch, Sears, Toney) and one staff member (Fadeley). She will reach out to each of these members individually to determine whether they wish to serve another term.

**VII. Other Discussion Items - None**

**VIII. Closing and Adjourn:** *Being no further issues brought before the Committee, Summer Sears adjourned the meeting at 2:34 p.m.*

**The next hybrid meeting** is scheduled for Friday, June 13 at 12:00 p.m.

Respectfully submitted,



Angie Powers  
BOCC Administrative Assistant