



Audit Committee

Friday, August 8, 2025

1:00 p.m.

Via Zoom:

<https://us02web.zoom.us/j/7904362359?omn=86784497826>

Meeting ID: 790 436 2359 Passcode: Audit2025

Allen Room:

Deschutes Services Building

1300 NW Wall St Bend, OR

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- I. **Call to Order**
 - II. **Introductions/Notices**
 - III. **Review/Approve minutes from July 13, 2025, meeting**
 - IV. **Internal Audit Reports**
 - a. Recreational Vehicle Park [Report](#) and [Presentation](#)
 - b. Health Benefits [Report](#) and [Presentation](#)
 - c. In-process and Upcoming
 - Sheriff's Office Body and Auto Cameras
 - May 2025 Election
 - Houselessness
 - [Status Report](#)
 - 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
 - May 2025 Election
 - 911 Service District

VI. Other Discussion Items

a. Administrative Update

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

a. Annual Performance Review for County Internal Auditor

Executive sessions are closed to the public; however, with few exceptions and under specific guidelines, are open to the media.

VIII. Adoption of Annual Performance Review for County Internal Auditor

IX. Closing & Adjourn



Deschutes County encourages persons with disabilities to participate in all programs and activities. To request this information in an alternate format please call (541) 617-4747.



OFFICE OF
INTERNAL AUDIT



Recreational Vehicle Integrated Audit Follow-up: No future performance reporting. Slow start to implementing recommendations to reduce financial risk and improve compliance.




June 2025

Our [2024 audit of the Recreational Vehicle Park](#) found areas for improvement related to cash handling, information security, performance reporting, and website accessibility. Nine months later, staff made little progress but were still committed to improvements. They were starting work with the Finance Department to assess risk and implement new procedures. They were also planning to upgrade the website. Management chose not to implement the recommendation to improve Park performance reporting.



To request this information in an alternate format, please call (541) 330-4674 or send email to internal.audit@Deschutes.org

Recommendation Status Key:

 0 Resolved <i>Management addressed risk. Auditors will no longer monitor.</i>	 4 In Process <i>Recommendations are in progress. Auditors will continue to monitor.</i>	 1 Accept Risk <i>Management accepted the risk of not implementing the recommendation.</i>
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Working with Finance to assess fraud risks.

In Process 

Initial finding: The Park did not conduct or document a fraud risk assessment. Such assessments provide a vital opportunity for managers and staff to collaboratively identify potential fraud scenarios and devise preventive measures.

Recommendation: Fair and Expo Center management should conduct a fraud risk assessment for the Recreational Vehicle Park and document outcomes.

Update: Fair and Expo Center management reported that they are working with the Finance Department to strengthen internal controls and fiscal transparency. The work will include onsite observations and evaluations.

Plans to update cash handling procedures.

In Process 

Initial finding: Management did not complete comprehensive accounting procedures to adequately provide effective control, supervision, and adherence during the implementation of new procedures at the Park.

Recommendation: Fair and Expo management should incorporate fraud risk assessment results into updated cash handling updated for the Recreational Vehicle Park.

Update: Fair and Expo Center management reported that they are working with the Finance Department to strengthen internal controls and fiscal transparency. Following completion of the work, management will update written cash handling procedures to align with best practices and reinforce the commitment to strong fiscal stewardship.

Information security procedure updates planned.

In Process 

Initial finding: As new information systems were implemented, Management did not establish procedures to address information security. Initially, management had broad permissions for system evaluation and process creation. However, these permissions should have been redistributed among staff once the system was operational to mitigate risks associated with concentrated duties.

Recommendation: Fair and Expo management should incorporate the fraud risk assessment results into information security procedures for the Park reservation system.

Update: Fair and Expo Center management reported that they are working with the Finance Department to strengthen internal controls and fiscal transparency. Following completion of the work, management will update information security procedures to align with best practices and reinforce the commitment to strong fiscal stewardship.

Working towards website compliance with Americans with Disabilities Act.

In Process



Initial finding: The Park website may not meet Americans with Disabilities Act compliance requirements.

Recommendation: Fair and Expo Center management should follow through with plans to rebuild the webpage to improve accessibility and establish procedures to periodically evaluate web content for Americans with Disabilities Act compliance.

Update: Fair and Expo management reported that they have conducted an initial review of their website and are working on improvements and have implemented some changes. They also reported planning to work with an outside web development contractor on a complete rebuild of their website which will prioritize accessibility and user experience for all users, including those with disabilities.

No future reporting on Recreational Vehicle Park performance.

Accept Risk



Initial finding: Performance measures play a crucial role in guiding decisions, fostering improvement, and enhancing understanding. Less than favorable outcomes can lead to evaluations that identify root causes and solutions. Recreational Vehicle Park performance reporting focused on revenues, expenses, and local economic impact. However, narrative operational indicators discussed at committee meetings often did not include verifiable evidence, as suggested by phrases such as "appears to" and "may."

Recommendation: Fair and Expo management should establish and report on performance measures for the Recreational Vehicle Park.

Update: Management decided not to establish performance measures for the Park. Instead of providing more concrete performance measures for the Recreational Vehicle Park, management chose to incorporate park measures into aggregate reporting for the Fair and Expo Center. Without specific performance measures, management and oversight bodies will have less information available to guide decision-making and proactively identify problems.

Conclusion and Next Steps

We will continue to report on the status of in process audit recommendations in our Global Follow-up Report at the end of each calendar year.

The mission of the Office of Internal Audit is to improve the performance of Deschutes County government and to provide accountability to residents. We examine and evaluate the effectiveness, efficiency, and equity of operations through an objective, disciplined, and systematic approach.

The Office of Internal Audit:

Elizabeth Pape – County Internal Auditor
Susan DeJoode – Performance Auditor

Phone: 541-330-4674

Email: internal.audit@deschutes.org

Web: www.deschutes.org/auditor

Audit committee:

Daryl Parrish, Chair – Public member
Phil Anderson – Public member
Jodi Burch – Public member
Joe Healy – Public member
Summer Sears – Public member
Kristin Toney – Public member
Patti Adair, County Commissioner
Charles Fadeley, Justice of the Peace
Lee Randall, Facilities Director

If you would like to receive future reports and information from Internal Audit or know someone else who might like to receive our updates, sign up at <http://bit.ly/DCInternalAudit>.

Office of the County Internal Auditor

Fair and Expo Recreational Vehicle Park Integrated Audit

Original audit published
8/12/24



August 8, 2025

Background

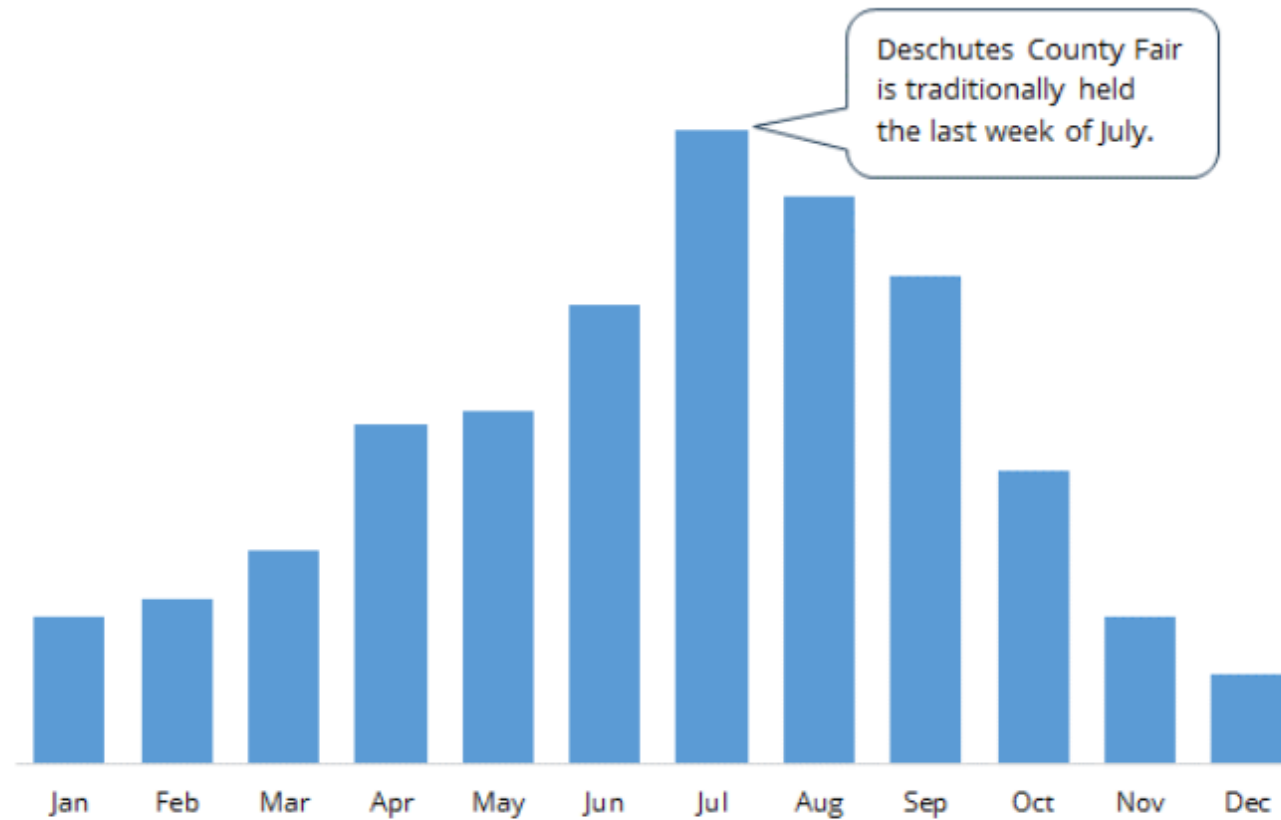
By the Numbers

- Opened in **2007**
- **105** full-service sites
- Access to fairgrounds with over **400** events annually



Seasonality

Camping visits are highly seasonal, peaking during the Deschutes County Fair.



Source: County Financial Information



Recommendation Updates

No future performance reporting

Slow start to other recs



Resolved

*Management addressed risk.
Auditors will no longer monitor.*



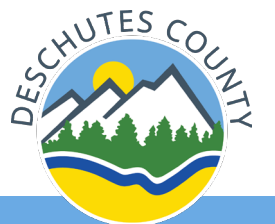
In Process

*Recommendations are in
progress. Auditors will continue
to monitor.*



Accept Risk

*Management accepted the risk of
not implementing the
recommendation.*



Working with Finance to assess fraud risks.

In Process



We Found

No fraud assessment. Assessments are a vital opportunity for managers and staff to collaboratively identify potential fraud and design preventive measures.

We Recommended

Fair and Expo Center management should conduct a fraud risk assessment for the Recreational Vehicle Park and document outcomes.

Update

Management reported that they are working with Finance to strengthen controls and transparency. The work will include onsite observations and evaluation.



Plans to update cash handling procedures.

In Process



We Found

No comprehensive accounting procedures to provide effective control, supervision, and adherence during the implementation of new software.

We Recommended

Incorporate fraud risk assessment results into updated cash handling procedures.

Update

Working with the Finance to strengthen controls and transparency. Following completion of the work, management will update cash handling procedures.



Information security procedure updates planned.

In Process



We Found

As new information systems were implemented, Management did not establish procedures to address information security.

We Recommended

Incorporate the fraud risk assessment results into information security procedures for the Park reservation system.

Update

Working with the Finance to strengthen controls and transparency. Following completion of the work, management will update security procedures.



Working towards website compliance with Americans with Disabilities Act.

In Process



We Found

The Park website may not meet Americans with Disabilities Act compliance requirements.

We Recommended

Follow through with plans to rebuild the webpage to improve accessibility and establish procedures to periodically evaluate web content for Americans with Disabilities Act compliance.

Update

Management reported that they have conducted an initial review of their website and are working on improvements and have implemented some changes.



No future reporting on Recreational Vehicle Park performance.

Accept Risk 

We Found

Reporting focused on revenues, expenses, and local economic impact. However, operational indicators often did not include verifiable evidence.

We Recommended

Establish and report on performance measures for the Recreational Vehicle Park.

Update

Management decided not to establish performance measures for the Park.



Next Steps

We'll continue to follow-up on in process recommendations during annual global follow-ups.



Questions and Comments?





OFFICE OF
INTERNAL AUDIT



Health Benefits Audit Follow-up: Improved financial models, yet data security risks persist.




July 2025

Our [2024 audit of health benefits](#) raised questions about rising costs, data security, and payment accuracy. Nine months later, the County has made progress by revising financial models but continues to work on performance reporting and procedures. Even after a data mishap led to the inadvertent sharing of personal health records with Deschutes County auditors, management opted not to require contractors to report on their internal controls.



To request this information in an alternate format, please call (541) 330-4674 or send email to internal.audit@Deschutes.org

Recommendation Status Key:

 1 Resolved <i>Management addressed risk. Auditors will no longer monitor.</i>	 3 In Process <i>Recommendations are in progress. Auditors will continue to monitor.</i>	 2 Accept Risk <i>Management accepted the risk of not implementing the recommendation.</i>
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Health benefits financial model recalibrated.

Resolved



- Initial finding:** Health Benefits Fund reserves were below the level set by County policy. The fund balance fell below contingency reserve policy level minimums in June 2023 and remained at or below the amount throughout Fiscal Year 2024. External financial auditors commented on the “significant decline” in the fund balance when discussing the County’s Fiscal Year 2023 financial statements. In June of 2024 the fund balance was nearing the claims reserve floor set by state law.
- Recommendation:** County Administration, along with Human Resources and Finance, should conduct an after-action review and root cause analysis to document why the Health Benefit Fund fell below the contingency level and steps they could take to prevent it from occurring in the future.
- Update:** Finance provided a root cause analysis in its response to the audit report. Causes mainly aligned with those included in the audit report. Human Resources and Finance met with the County’s Benefit Advisors to revise and recalibrate the forecasting model to better align with current health care industry costs and trends as well as increasing the frequency and timing of these reviews to better align with the County’s budgeting processes. Finance also added a footnote to monthly financial reports about the reserve policy.

No review of information security controls despite data sharing error.

Accept Risk 

Initial finding: During this audit, the third-party health benefits administrator accidentally shared sensitive medical information about other clients with Deschutes County auditors. The accident raised questions about how the administrator protected information. The administrator declined to provide more information about what information security controls it had in place, what went wrong to allow it to share data with Deschutes County auditors, how it alerted the organizations whose data was affected, or how it planned to prevent such accidents in the future. To understand how information security controls work, it is standard in the industry for clients, such as Deschutes County, to request service organization control reports from third-party administrators.

Recommendation: Human Resources should add a requirement for service organization control reporting to the next health benefits third-party administrator contract.

Update: Human Resources decided to rely on the contractor's certification rather than requesting a Service Organization Controls audit that would outline the third-party administrator's controls.

Recommendation: Human Resources should create a policy for reviewing third-party administrator service organization controls reporting including follow-up about any non-functioning controls and documentation of Deschutes County complementary controls.

Update: Human Resources will not implement a policy for reviewing third-party administrator controls because they will not be requesting a report.

Working to gather reporting on payment accuracy and turnaround time.

In Process 

Initial finding: The County relied on the third-party health benefits administrator to process claims in a timely and accurate manner and to ensure that claim payments conformed with plan requirements. It is standard in the industry for third-party administrators to report on financial accuracy, payment accuracy, and claim turnaround. Human Resources staff did not request performance reporting from the administrator, and the company did not report it until auditors requested it.

Recommendation: Human Resources should add requirements for reporting on payment accuracy, financial accuracy, and timeliness specific to Deschutes County to the next health benefits third-party administrator contract. Reporting should be at least yearly.

Update: Human Resources agreed to work with the third-party administrator to begin tracking data in the 2025 plan year and will ensure requirements are added to future contracts. Anticipated completion February 2026.

Recommendation: Human Resource should share the report with the Employee Benefits Advisory Committee.

Update: Human Resources intends to share performance reporting with the Employee Benefits Advisory Committee at its July 2025 meeting.

Developing procedures to ensure third party administrator payments are correct.

In Process 

Initial finding: Payments to the third-party administrator were accurate but documented procedures would increase confidence in future payments.

Recommendation: Human Resources should follow through with plans to document procedures related to health benefits payment processing. Procedures should include back-up staff to fill in when primary staff are absent.

Update: Human Resources staff were working to document procedures. Staff plan to coordinate with the new Human Resources Director to identify back-up staff when primary staff are absent.

Next Steps: We will continue to report on the status of in process audit recommendations in our Global Follow-up Report at the end of each calendar year.

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The Office of Internal Audit:

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Audit committee:

Daryl Parrish, Chair – Public member

Phil Anderson – Public member

Jodi Burch – Public member

Joe Healy – Public member

Kristin Toney – Public member

Patti Adair, County Commissioner

Steve Dennison, County Clerk

Lee Randall, Facilities Director

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Office of the County Internal Auditor

Human Resources Health Benefits Audit

Original audit published
9/23/24



August 8, 2025

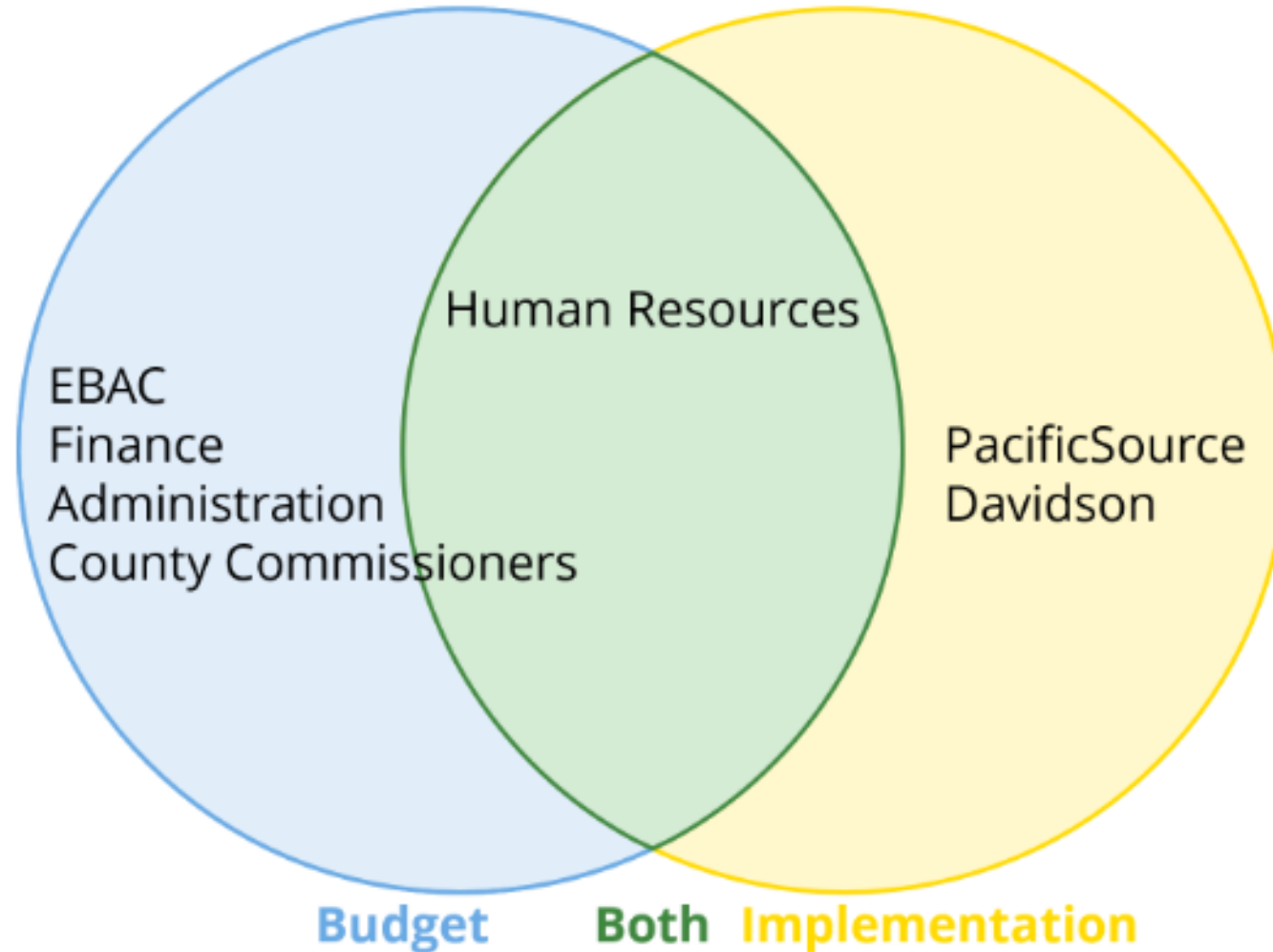
Background

Self-Insured Health Benefit Plan

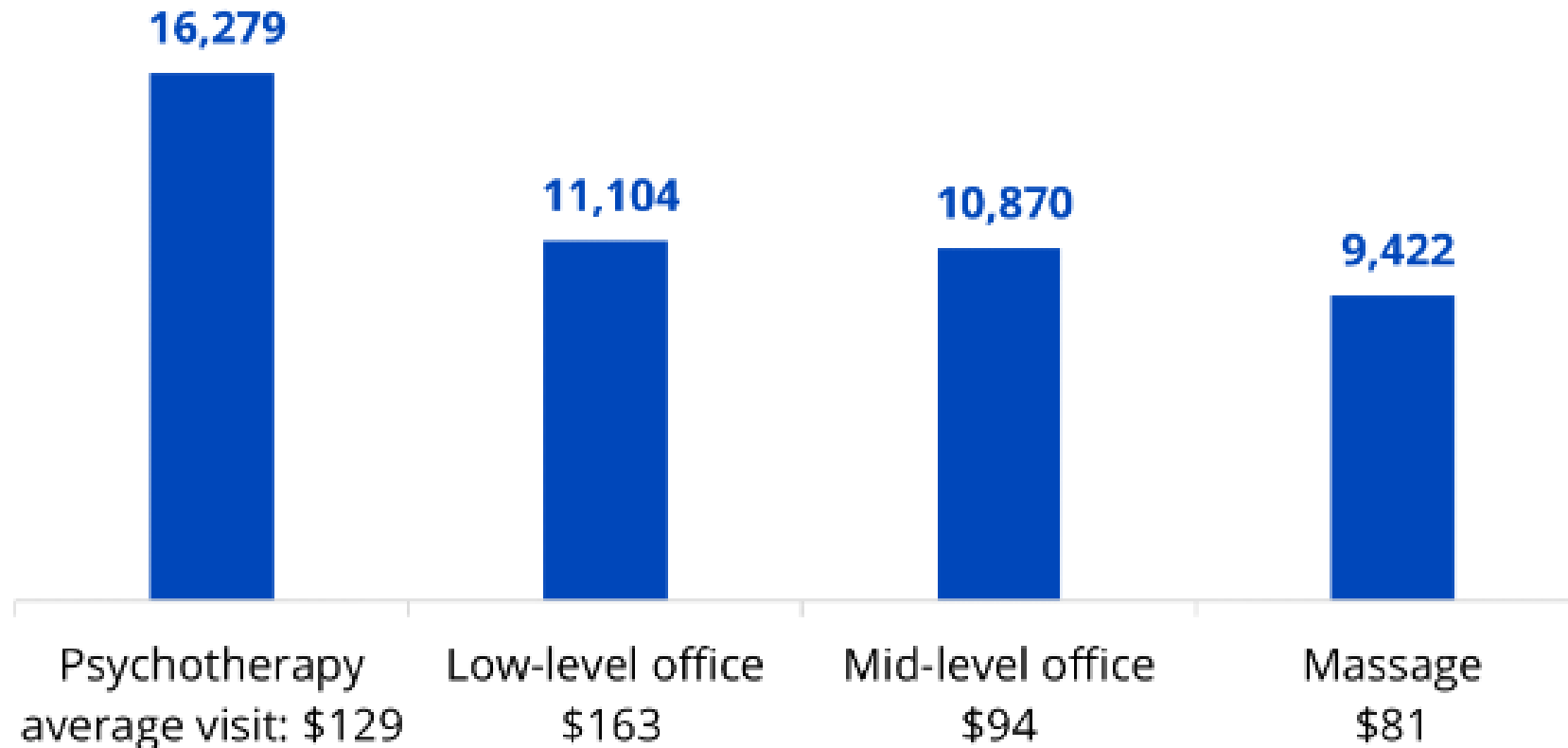
- Sets funds aside and pays for each medical procedure instead of paying premium rate per participant.
- County employees, dependents, and some retirees.
- Central Oregon Intergovernmental Council and Black Butte Ranch Service District.
- Fiscal Year 2024: \$19 million on 3,476 participants.



Roles Within the Health Benefits Program



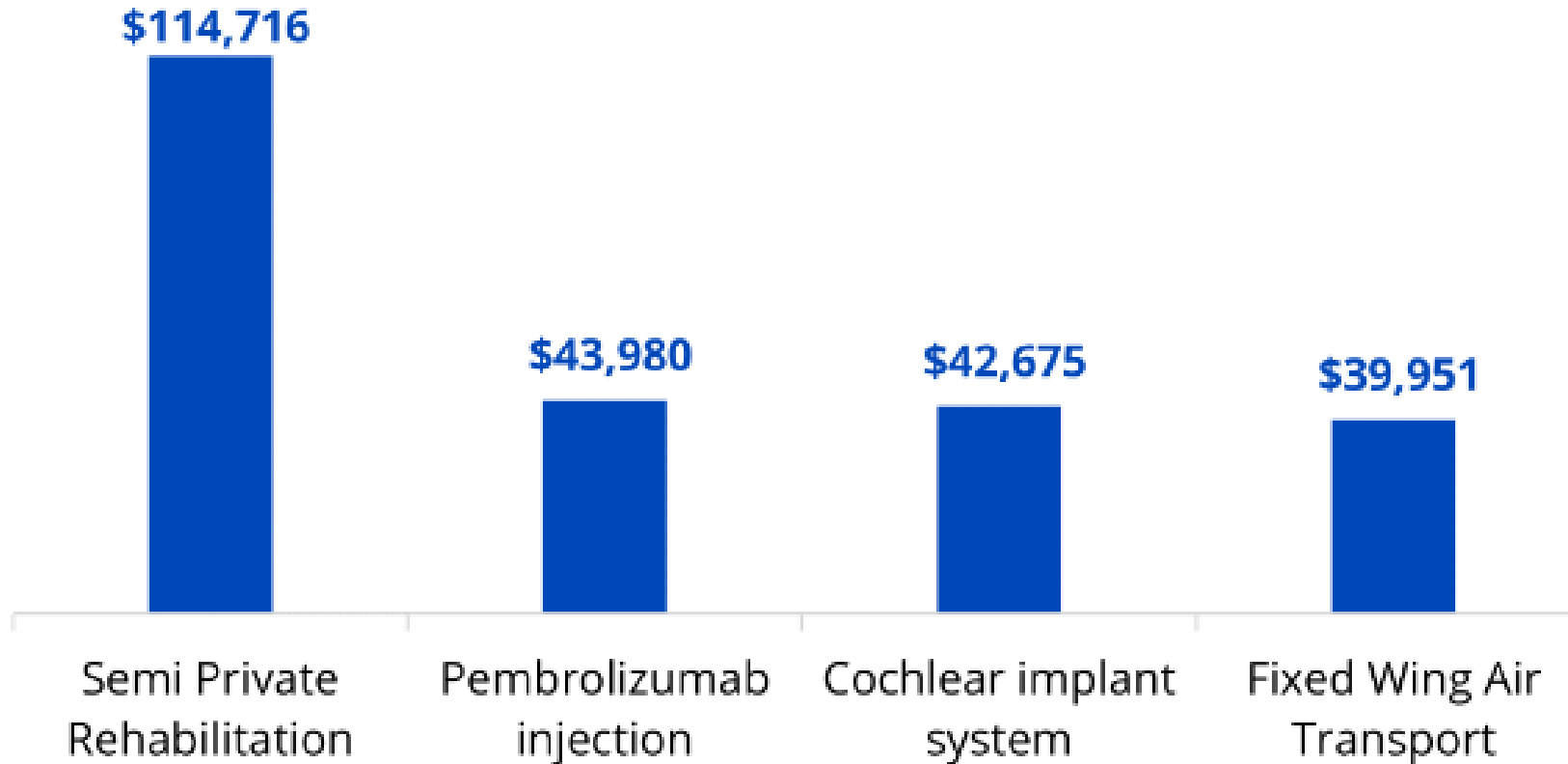
Most Common Procedures (2022 and 2023)



Source: PacificSource Claims Data



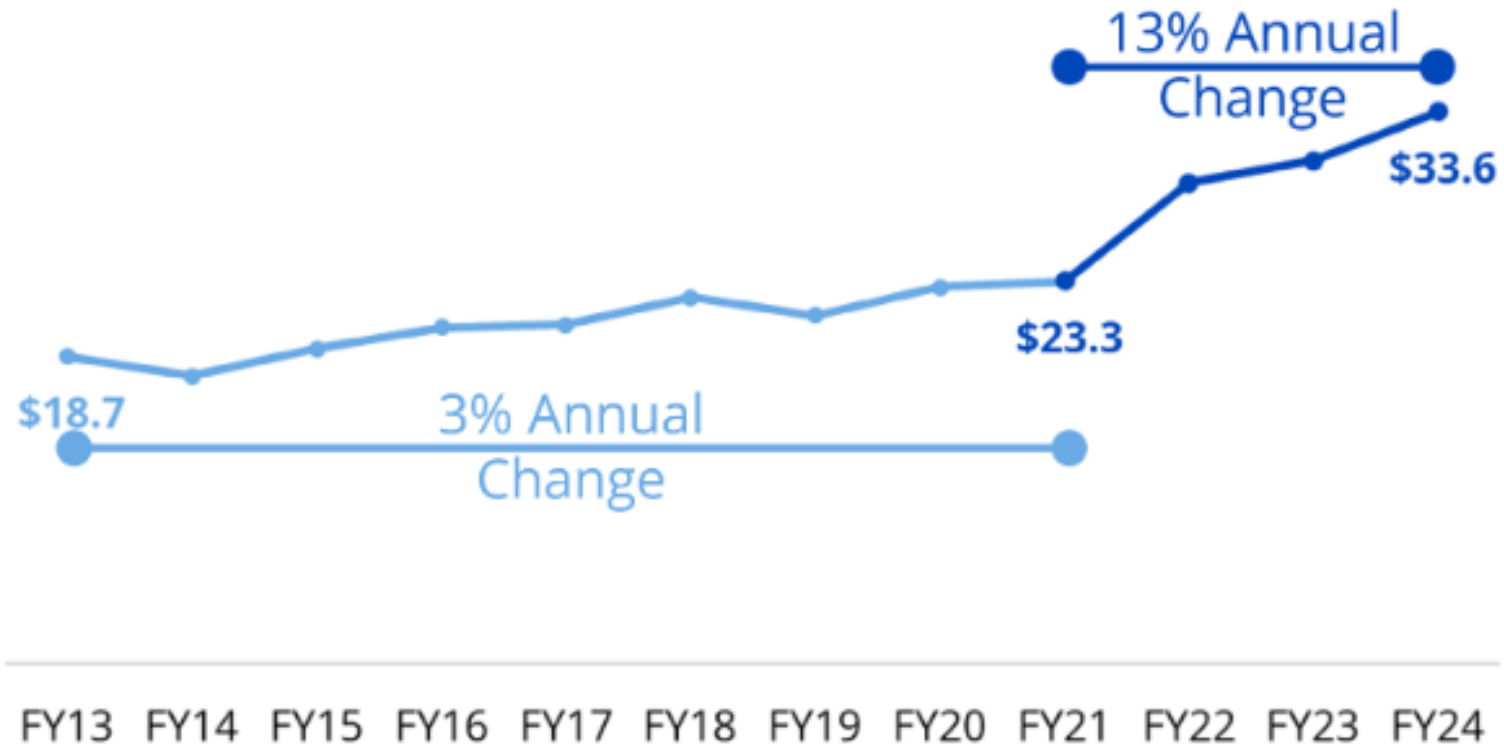
Most Expensive Procedures (2022 and 2023)



Source: PacificSource Claims Data



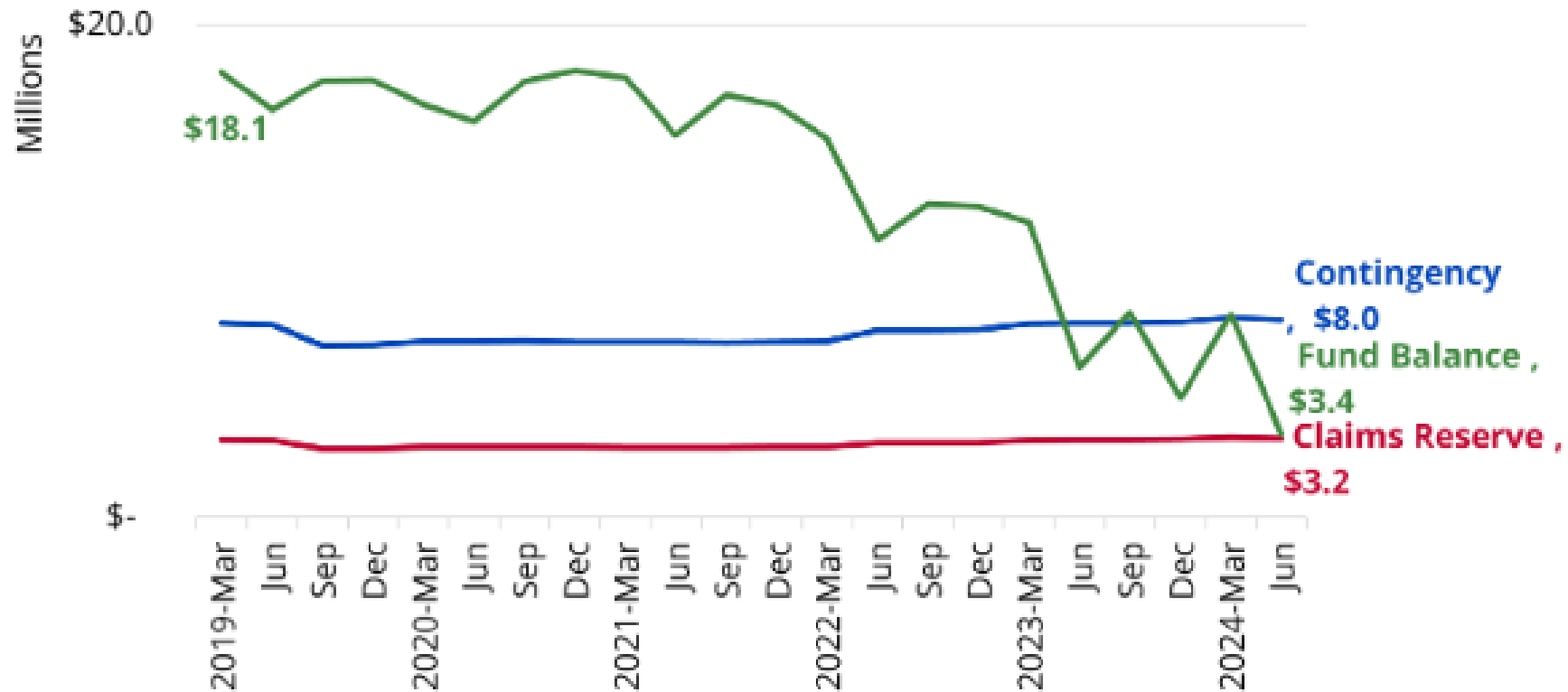
Costs Increased Faster After 2021



Source: County Financial Information System **FY 2024 is not final.



Fund Below Contingency and Neared Reserve



Source: County Financial Information System**June 2024 not final



Recommendation Updates

Improved financial model yet data security risks persist



1

Resolved

*Management addressed risk.
Auditors will no longer monitor.*



3

In Process

*Recommendations are in
progress. Auditors will continue
to monitor.*



2

Accept Risk

*Management accepted the risk of
not implementing the
recommendation.*



Health benefits financial model recalibrated.

Resolved



We Found

Health Benefits Fund reserves were below the level set by County policy.

We Recommended

Conduct an after-action review and root cause analysis to document why the Health Benefit Fund fell below the contingency level and steps they could take to prevent it from occurring in the future.

Update

Root cause analysis in audit report response. Revised and recalibrated the forecasting model.



No review of information security controls despite data sharing error.

Accept Risk 

We Found

Contractor shared sensitive medical data about other clients.

We Recommended

Add a requirement for service organization control reporting to the next health benefits third-party administrator contract.

Update

Decided to rely on the contractor's certification rather than requesting an audit.



Continued...

No review of information security controls despite data sharing error.

Accept Risk 

We Found

Contractor shared sensitive medical data about other clients.

We Recommended

Create a policy for reviewing third-party administrator service organization controls reporting.

Update

Will not implement a policy for reviewing third-party administrator controls because they will not be requesting a report.



Working to gather reporting on payment accuracy and turnaround time.

In Process



We Found

The County relied on the administrator to process claims in a timely and accurate manner and to ensure that claim payments conformed with the plan.

We Recommended

Add requirements for reporting on payment accuracy, financial accuracy, and timeliness to the next contract.

Update

Agreed to work with the contractor to begin tracking data in the 2025 plan year and will ensure requirements are added to future contracts.



Continued...

Working to gather reporting on payment accuracy and turnaround time.

In Process



We Found

The County relied on the administrator to process claims in a timely and accurate manner and to ensure that claim payments conformed with the plan.

We Recommended

Share the report with the Employee Benefits Advisory Committee.

Update

Human Resources intends to share performance reporting with the Employee Benefits Advisory Committee at its July 2025 meeting.



Developing procedures to ensure third party administrator payments are correct.

In Process



We Found

Payments to the third-party administrator were accurate but documented procedures would increase confidence in future payments.

We Recommended

Follow through with plans to document procedures related to health benefits payment processing. Procedures should include back-up staff to fill in when primary staff are absent.

Update

Working to document procedures. Staff plan to coordinate with the new Human Resources Director to identify back-up staff when primary staff are absent.



Next Steps

We'll continue to follow-up on in process recommendations during annual global follow-ups.



Questions and Comments?





Office of County Internal Audit

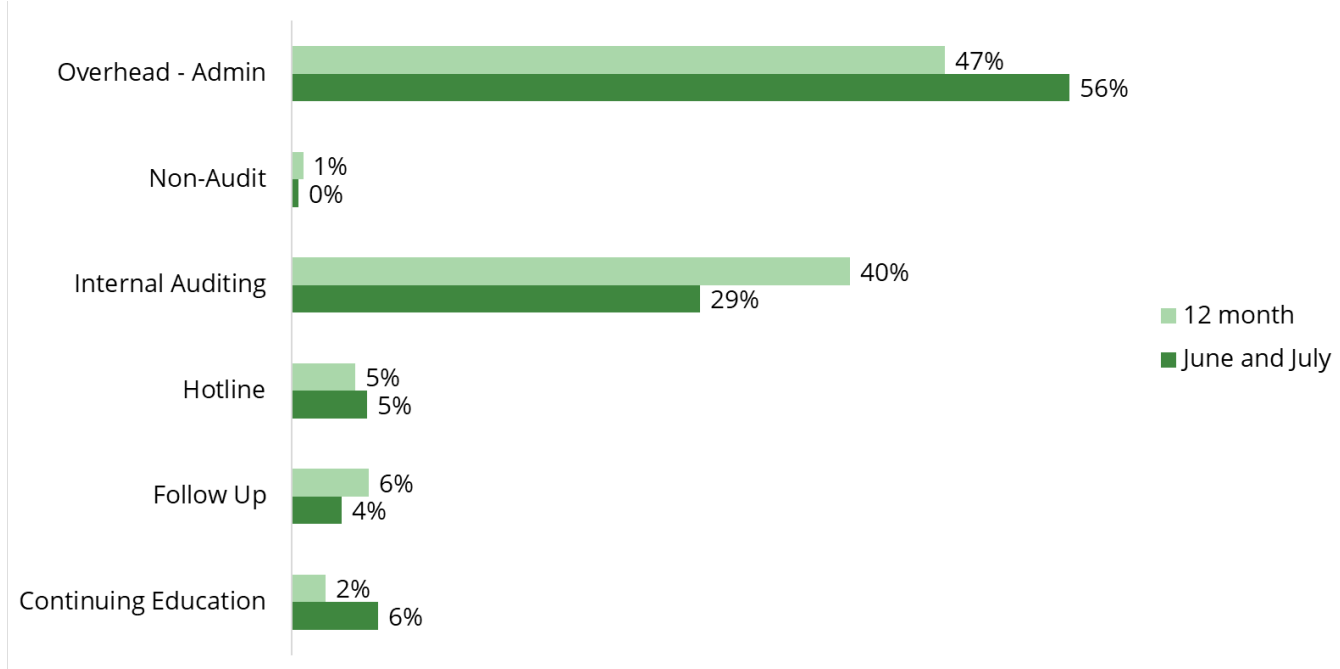
Elizabeth Pape, CIA, CFE – County Internal Auditor

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INTERNAL AUDIT STATUS REPORT June and July 2025

Highlights for the period include:



Overhead higher due to onboarding and training, and code change proposal

Continuing Education higher due to new auditor training for Susan DeJoode

Time management leave not included

Audit work:

- Sheriff's Office Body Cams – Fieldwork phase
- Clerk's Office 2025 Election Controls – Fieldwork and Reporting phase
- County Approach to Houselessness – Survey phase

Follow-up work:

- Courthouse Reconstruction
- Health Benefits

Administrative:

- County meetings and miscellaneous
- Proposed code changes

Continuing Professional Education:

- Web-based:
 - Audit Bootcamp
 - Best Practices for Small Shops
 - Fraud

Audit committee:

- Audit committee meeting and support
- Committee appointments and recruitment

Hotline:

- Administration
- Two open tips

Non-Audit: Policy Advisory Committee