

Clackamas County  
Internal Audit Oversight Committee  
Meeting Materials  
Wednesday, June 8, 2022

Item #1  
Draft April 7, 2022, Meeting Minutes



## MEETING MINUTES

### Internal Audit Oversight Committee

Thursday, April 7, 2022  
3:00 p.m. to 4:30 p.m.

Virtual meeting

- |  |   |  |  |  |  |   |
|--|---|--|--|--|--|---|
| <input checked="" type="checkbox"/> Minh Dan Vuong, IAOC Chair, Community Member | <input checked="" type="checkbox"/> Darlene Kargel, Community Member      | <input checked="" type="checkbox"/> Stephanie Gallegos, Community Member | <input checked="" type="checkbox"/> Tootie Smith, Chair of Board of County Commissioners | <input checked="" type="checkbox"/> Martha Schrader, Vice-chair of Board of County Commissioners | <input checked="" type="checkbox"/> Gary Schmidt, County Administrator | <input checked="" type="checkbox"/> Stephen Madkour, County Counsel |
| <input checked="" type="checkbox"/> Brian Nava, County Treasurer (non-voting)    | <input checked="" type="checkbox"/> Jodi Cochran, County Internal Auditor | <input checked="" type="checkbox"/> Kathy Yeung, Senior Internal Auditor | <input checked="" type="checkbox"/> Scott Anderson, Video Production Coordinator, PGA    |  |  |   |

Issue	Presenter/ Staff Contact	Issue Description	Decision/Action/ Assignments
Welcome and Introductions	Chair Minh Dan Vuong	<p>Chair Minh Dan Vuong opened the meeting and welcomed the IAOC members. Members introduced themselves. Jodi Cochran, County Internal Auditor, performed the roll call.</p> <p>It was announced: "Today's meeting is a public meeting and is accessible via ZOOM to any member of the community who would like to observe. We will not</p>	None

Issue	Presenter/ Staff Contact	Issue Description	Decision/Action/ Assignments
		be taking public comment during the meeting. Emailed comments are welcome at <a href="mailto:OCIA@Clackamas.us">OCIA@Clackamas.us</a> . All comments received will be provided to Committee members."	
Recognition and appreciation	Chair Minh Dan Vuong	Chair Vuong thanked Darlene Kargel for her service of approximately two years as an IAOC community member. She has supported and voiced her strong appreciation for the audit function. Other IAOC members thanked Darlene for her service, and Darlene thanked the Committee for the opportunity to serve.	<b>Recognition of past Committee member Darlene Kargel's service</b>
January 11, 2022, minutes  January 24, 2022, special meeting minutes	Chair Minh Dan Vuong	The draft January 11, 2022, and January 24, 2022, IAOC meeting minutes were presented.  Tootie Smith, BCC Chair, moved to adopt the January 11, 2022, draft minutes as written. Martha Schrader, BCC Vice-Chair, seconded the motion. The motion was approved unanimously by voice vote.  Martha Schrader moved to adopt the January 24, 2022, draft minutes as written. Tootie Smith seconded the motion. The motion was approved unanimously by voice vote.	<b>January 11, 2022, minutes approved as written.</b>  <b>January 24, 2022, minutes approved as written.</b>
Contract Administration Audit status update	Kathy Yeung, Sr. Internal Auditor	Kathy Yeung, Senior Internal Auditor, provided a status update on the contract administration audit detailing the areas of focus and observations. Chair Vuong emphasized the audit's in-progress status and was looking forward to reading the report. Chair Vuong provided Gary Schmidt, County Administrator, the opportunity to comment prior to opening it up for questions. Tootie Smith noted she is also looking forward to reading the report.  Jodi provided the Committee more details about the audit's purpose and process. Testing was performed at a high level, and small sample sizes were used to support observations of the contract administration performance and the opportunities to leverage current systems.	<b>Informational</b>

Issue	Presenter/ Staff Contact	Issue Description	Decision/Action/ Assignments
		Members discussed the importance of this audit in providing insights on compliance and the ability to look across all departments for systemic issues in current process flows.	
Audit report and recommendation monitoring	Jodi Cochran, County Internal Auditor	Jodi presented the Audit Recommendations & Management Responses 2021 Status Update and highlighted the overall status on the implementation of recommendations. Gary Schmidt provided feedback and expectations on the implementation of recommendations in departments led by County directors. Chair Vuong and Tootie Smith expressed appreciation for the County Administrator's support for the implementation of audit recommendations that will improve County services and support cost saving strategies. Jodi thanked Gary for his support and how the OCIA will continue to develop recommendations that add value from the auditee's perspective. The OCIA will advocate for well-informed decision-making and continue collaborative efforts.	<b>Informational</b>
2021 County Governance, Risk Management and Control Process Assessment Report	Jodi Cochran, County Internal Auditor	<p>The members discussed the 2021 County Governance, Risk Management and Control Process Assessment Report. Gary Schmidt thanked the OCIA for talking with all participants, and he will do his best to implement the recommendations in the report. Stephen Madkour, County Counsel, inquired if the decrease in employee engagement survey scores was attributable to COVID-19. Jodi commented on the background section of the report, which recognized the three local states of emergency. This report focuses on factual observations as opposed to speculated correlations. Gary noted the contractor for the survey discussed how the pandemic had minimal impact on the results based on similar studies with other jurisdictions.</p> <p>Stephen provided feedback on the leadership academy section of the report, and inquired about the fraud, waste, and abuse hotline. Brian Nava, County Treasurer, elaborated on the history of the hotline, the progression on how it has been used, and the confidentiality concerns. Brian then shared the ACFE's</p>	<b>Informational</b>

Issue	Presenter/ Staff Contact	Issue Description	Decision/Action/ Assignments
		<p>“Occupational Fraud 2022: A Report to the Nations” as a resource to learn more about the fraud environment and statistics.</p> <p>Chair Vuong summarized the report as a tool to identify areas of concern, workforce vacancies, performance measurements, and continuous improvement opportunities. The report is provided to meet audit standards of assessing and contributing to the improvement of county governance, risk management, and control processes through a risk assessment.</p>	
OCIA and IAOC Charters Review	Jodi Cochran, County Internal Auditor	The OCIA Charter and IAOC Charter and Bylaws were presented with draft revisions. Jodi will be working with Committee members to identify any revisions, feedback, and outreach. Actions will take place at the next meeting. Chair Vuong encouraged committee members to review as the charters are the foundation of work in the OCIA and in this Committee.	<b>Informational</b>
2022 Audit Plan & Quality Assurance Improvement Program (QAIP) status updates	Jodi Cochran, County Internal Auditor	<p>The web report for the 2022 Audit Plan—approved in January 2022—was presented. Upcoming audits emphasize the value in supporting the County’s goals, missions, values, and strategic priorities.</p> <p>Professional Standards require the establishment of a Quality Assurance and Improvement Program (QAIP) to ensure the adequacy and effectiveness of an internal audit function. The quarterly reports details specific County Internal Audit strategies and goals. Additionally, it serves as a method of addressing specific Standards and ensuring accountability.</p> <p>The QAIP Q1 Status report was provided, and Jodi mentioned the potential for a change in the committee meeting structure and time frame, which includes a change in the frequency of the QAIP discussion.</p> <p>Chair Vuong inquired about the request for the NCPRD Governance engagement, which was requested by the District Administrator of North Clackamas Parks and Recreations District, Gary Schmidt. The Committee also</p>	<b>Informational</b>

Issue	Presenter/ Staff Contact	Issue Description	Decision/Action/ Assignments
		discussed the current ongoing engagements. Jodi noted in addition to the listed engagements, the Office undertakes numerous projects and activities to manage and ensure the internal audit function will continue to bring value. The last page on the document shows some of the standards the OCIA complies with, the areas of continued education, and how they are conducted. Chair Vuong expressed his appreciation for the transparency of the OCIA's activities.	
Meeting schedule	Chair Minh Dan Vuong	Chair Vuong brought attention to the change in meeting time to the afternoon. The expectation is to have everyone attend as many meetings as possible since there are approximately four to five meetings annually.	
Round Table	All	No additional comments made.	
Meeting adjournment	Chair Minh Dan Vuong	With no additional comments from the Committee, the meeting adjourned at 4:15 p.m.	
		<p>Next scheduled meetings:</p> <p>Wednesday, June 8, 2022 9:00 a.m. to 11:00 a.m. Location: TBD</p> <p>Wednesday, September 14, 2022 2:00 p.m. to 3:00 p.m. Location: TBD</p>	Submitted by: Kathy Yeung

Clackamas County  
Internal Audit Oversight Committee  
Meeting Materials  
Wednesday, June 8, 2022

Item #2  
Contract Administration Audit Report #2021-04



# Contract Administration

## Leveraging Current Tools to Enhance Contract Administration

May 2022

A Report by the Office of County Internal Audit



**Jodi Cochran, CPA, CIA, CGMA, CRMA**  
County Internal Auditor

**Kathy Yeung, CPA**  
Senior Internal Auditor

**Brian T. Nava**  
County Treasurer

## Table of Contents

I. Executive Summary .....	3
II. Background .....	7
III. Observations .....	10
IV. Recommendations .....	16
V. Objective, Scope and Methodology .....	20
VI. About the Office of County Internal Audit .....	23



# **I. Executive Summary**

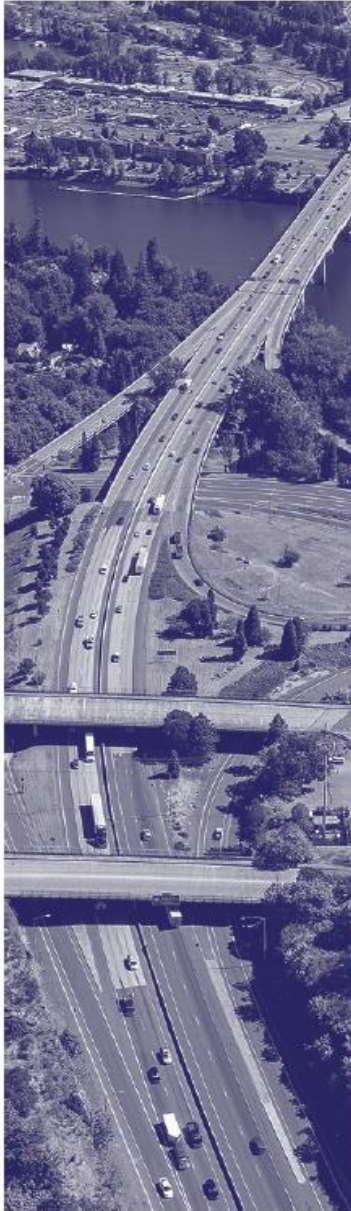


## Leveraging Current Tools to Enhance Contract Administration

Clackamas County has various systems and tools in place to assist with tracking, administering, and processing contract activities. The lack of standardized management processes in a siloed environment:

- Creates barriers to cross-departmental communication.
- Limits the sharing of tools and best practices.
- Decreases the County's ability to report all active contracts with confidence in the data integrity.

While Finance assists with contract award and execution, departments are responsible for monitoring their own contracts. Each department has developed its own tracking and monitoring systems for contracts. Cobblestone, a contract management database, is used as the County's repository for contracts. This system is not integrated with PeopleSoft, the County's financial system. Departments have broad PeopleSoft access and limited Cobblestone access.



## Recommendations

This review resulted in the following three recommendations addressing potential improvements to the contract management tools and support, interdepartmental communication, and One County efforts. Detailed observations and recommendations are included in this report.

**1**

**Implement the PeopleSoft contract management module for integration with the current finance system**

**2**

**Enhance departmental purchase order reconciliation**

**3**

**Utilize established Coffee Talks, newsletters, and quarterly trainings to enhance transparency on roles, responsibilities, and contract process flow**



## Management Response

The Finance Director and procurement team have reviewed these recommendations and agree with the recommendations. Full responses have been included in this report.

## Proactive Efforts

County team members, including Finance as the primary engagement contact, have contributed their time and effort to provide access to the information and data cited. These contributions significantly impacted the completion of this review. Collaborative efforts are vital to the County's ability to successfully meet objectives, as well as identify, thoroughly analyze, and appropriately respond to risks. We demonstrate our core values, SPIRIT, when we collectively and proactively identify steps to streamline processes, strengthen controls, and mitigate risks.

Special thanks to Elizabeth Comfort, Ryan Rice, Ed Johnson, Kiree Estrada, and everyone else who have contributed and supported this engagement.

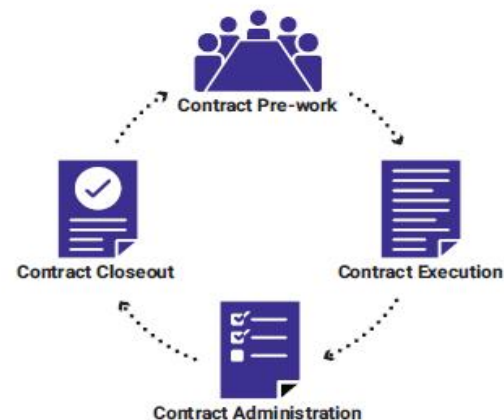




## Contract Lifecycle

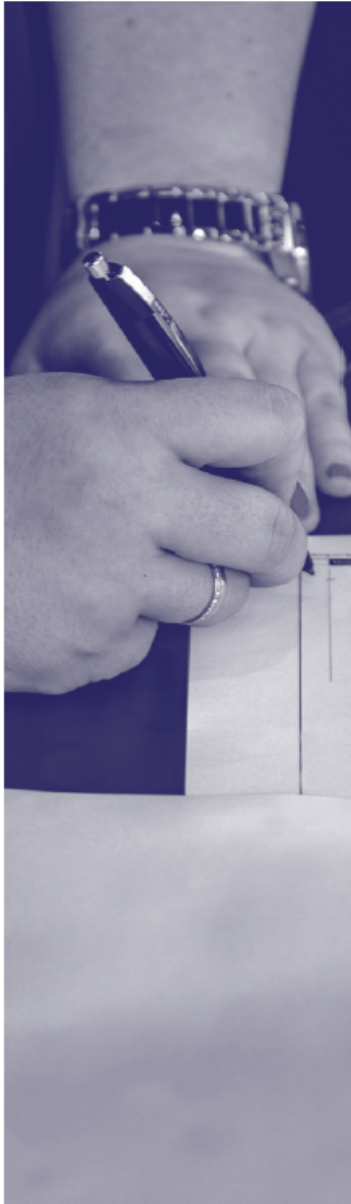
Contract administration is a subset of the contract process, which starts with developing a contract, executing the contract, administering the contract, and then closing out the contract. While the contract pre-work and contract execution phases involve developing a contract and making sure the contract is compliant with both state and local procurement regulations and policies, key activities within the contract administration phase include the following<sup>1</sup>:

- Accepting or denying goods or services
- Receiving and approving invoices for payment
- Monitoring the contract for compliance
- Communicating with the vendors/contractors
- Requesting contract amendments or change orders



Source: OCIA generated based on audit observations

<sup>1</sup> Oregon Department of Administrative Services [Contract Administration Training Certificate](#)



## Importance of Contract Management

Per the National Association of State Procurement Officials, effective contract management and processes lead to lower operational costs, increased user agency satisfaction, and efficiency in delivering services<sup>2</sup>. Risks surrounding contract administration include under- or overspending approved funds, not receiving contracted goods/services as needed, unsatisfactory delivery of services to residents, noncompliance with contractual terms and agreements, and more.

The Oregon Department of Administrative Services provides a Contract Administration Training Certificate, which is required for all state employees responsible for administering a state contract over \$150,000<sup>3</sup>. This training is compliant with Oregon statute<sup>4</sup> and is accessible through the State's training site, Workday. Local agency employees, including Clackamas County employees, can also access this training platform with an email request. There are 11 training events, which include an introduction to contract administration, amendments and change orders, administering contract and managing vendors, contract closeout, and more.

---

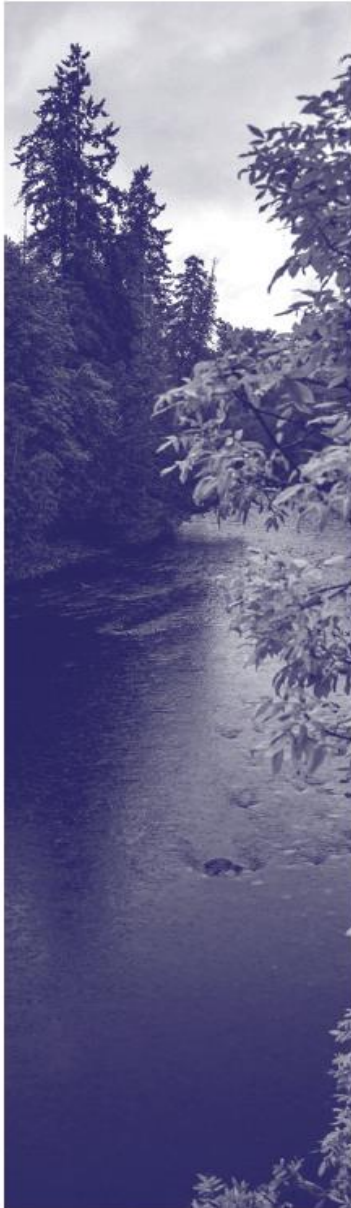
<sup>2</sup> NASPO Contract Administration [Best Practices Guide](#)

<sup>3</sup> [Oregon DAS Procurement Training Law Website](#)

<sup>4</sup> ORS279A.159

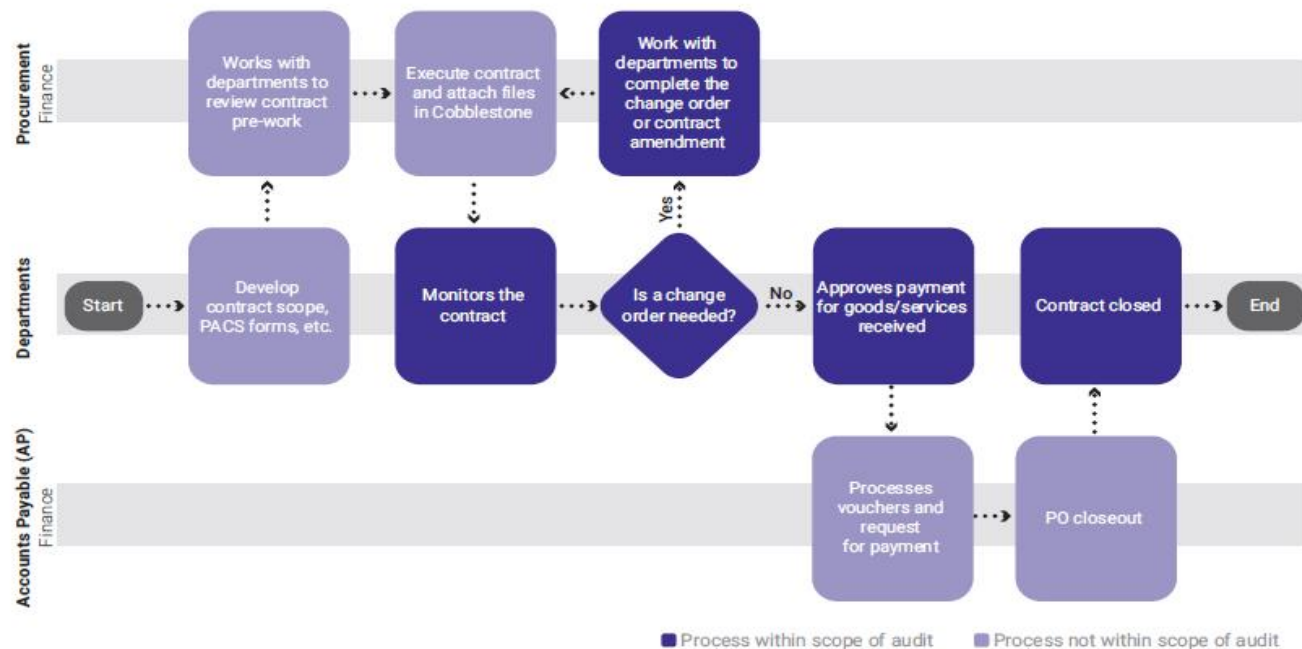


### III. Observations



## Flow of a Contract

While each department is responsible for monitoring and administering the contract, procurement and accounts payable (AP) in Finance provide support for contract activities. The procurement team specializes in assisting departments in the process of developing and executing a contract agreement, creating the purchase orders (PO), and processing change orders/contract amendments. POs are documents that authorize the delivery or rendering of goods and services and are closed when all items on the PO have been delivered or received. The AP team assists in processing invoices/vouchers, sending payments, and closing out POs when notified by the department. The individual departments are responsible for all other activities of the contract, which includes receiving the goods and services, reviewing and approving invoices, preparing vouchers for payment, communicating with the vendors, monitoring for compliance with contract terms and conditions, and communicating the need for contract amendments or contract closeout activities.





## Legal Compliance

While there are laws and regulations that are applicable to state agencies, such as the state statute<sup>5</sup> requiring “education and training or experience requirements for persons that conduct procurements or administer contracts for state contracting agencies,”<sup>6</sup> the County is a local contracting agency and therefore is not subject to this education and training requirement. However, the County is required to appoint, in writing, a contract administrator to represent the County for each contract.<sup>7</sup> Evidence of the authorized contract administrator was found written on the Procurement and Contract Services request forms for all 26 contracts selected for testing.

## Tools and Systems

Prior to the implementation of Cobblestone, contracts were tracked on Excel and supporting documents were stored electronically in the Finance shared drive or were kept as hard copies. The transition to Cobblestone started in late 2017 and continued through 2018 as both methods were simultaneously used. Currently, Cobblestone serves as the County’s contract repository and is used to generate contract identification numbers. PeopleSoft, an Enterprise Resource Planning (ERP) system, is the County’s system used to generate and view POs, process payments, store invoices and supporting documents, generate queries and reports, and more. The procurement team will manually transfer data from Cobblestone into PeopleSoft, including the contract number, encumbrance amount, and more, to generate a PO. Once there is a PO number, the procurement analyst will update the contract file in Cobblestone with the PeopleSoft data. These manual entries are necessary because the two systems, Cobblestone and PeopleSoft, are not integrated. Manual processing increases the risk of data entry errors.

## Completeness of Contracts in Cobblestone

Each department has their own method to track and maintain their subsidiary listings, such as Excel, Access, Alfresco, PawPrints, and others. When inquiring of various departments and contract administrator teams about their system for contract tracking, 19 of 31 interviewees noted little to no familiarity with using Cobblestone. The lack of standardization and inconsistent tracking methods across all departments is a barrier to obtaining a comprehensive listing of all active County expenditure contracts. In addition, inconsistent

---

<sup>5</sup> ORS279A.159

<sup>6</sup> ORS Chapter 279A on [www.OregonLegislature.gov](http://www.OregonLegislature.gov)

<sup>7</sup> [Oregon Secretary of State](#) – Department of Administrative Services, OAR 125-246-0555 (2)



data or blank data fields were noted (e.g., name of the contract administrator, department responsible, total contract value, etc.) in Cobblestone when comparing contracts to the subsidiary listing and supporting documents such as the contract agreement, amendments, and the Procurement and Contract Services request form.

During fieldwork testing, three of 17 contracts selected from department subsidiary contract listings were not included in Cobblestone. Sixteen of 26 contracts selected for viewing in Cobblestone did not include the Procurement and Contract Services request form in the contract file. During the status update meeting, it was noted that the procurement team has been intentional in creating a more consistent protocol for Cobblestone use. A Procurement Desk Manual was developed and includes a section dedicated to procurement file and contract organization. The manual clarifies the required documents to be attached in each of the Cobblestone contract files.

As part of the contract process, Cobblestone produces a contract number every time a new item is added. The addition of a contract amendment into Cobblestone results in a new contract number being generated despite the existing original contract number. As such, one contract with multiple contract amendments can have multiple contract numbers.

## PeopleSoft Utilization

One of the main tools used for the reconciliation process is PeopleSoft Finance, which supports the staff's ability to run queries and reports. For transactions in the period July 1, 2020, through June 30, 2021, no readily available queries were identified in PeopleSoft to run a report showing all transactions made on all POs for a given period.

The period selected for review was during a time of transition of processes, staffing, and leadership. During the period from July 2020 through June 2021, Finance:

- Established a new chart of accounts effective July 1, 2021.
- Implemented the mandatory use of POs and eliminated the use of field purchase orders.
- Experienced an overall staff vacancy of approximately 40%, including management positions.



During the tested period, gaps existed in the reconciliation process such as payments made without including the PO number in PeopleSoft and payments made subsequent to the PO expiration date. A total of 35 transactions were randomly selected for review based on having a blank field in the PO number column in a PeopleSoft query. Of those transactions, four payments, totaling \$6,098, should have had an associated PO number included when entered into PeopleSoft as indicated by the PO number written on the supporting document and/or voucher. Out of 14 POs reviewed, one PO had three vouchers, totaling \$3,825, issued on an expired PO for services rendered after the PO expiration date.

The transactions and observations identified above are representative of an accounting process that has since evolved through intentional improvement efforts. These include implementing a strategic plan, as identified on the Finance Three Year Projects Plan, which focuses on incremental system and process changes during the period from July 1, 2021, through December 31, 2022. Since December 2021, adding two new deputy directors and an analyst and filling the vacant procurement manager position has allowed the Finance department to continue streamlining processes, investigate and resolve inefficiencies, and develop PeopleSoft queries using the new chart of accounts.

## Department Support and Communication

In most cases, the contract administrators are the project leaders and individuals within the departments who are familiar with the contract scope and nature. Five of the five contract administrators interviewed noted they are well supported by their administrative team. These individuals help address inquiries related to the contract, provide and store copies of the contract agreements, track contracts in their department, prepare vouchers and data packets for the contract administrators to review, and raise awareness when a contract is close to its expiration date.

For larger departments, some of the administrative team members act as the finance liaison to help answer general contracting and procurement questions, as well as help facilitate conversations with the County procurement team when needed. In conversations with the finance/administrative team in the Water Environmental Service department, Transportation and Development department, and the Clackamas County Sheriff's Office, it appears they have well established contract administration systems and processes in place. Their team of experts are knowledgeable and aware of existing contracts within their department and help facilitate conversations with the procurement team to reduce turnaround and lead time when questions arise.

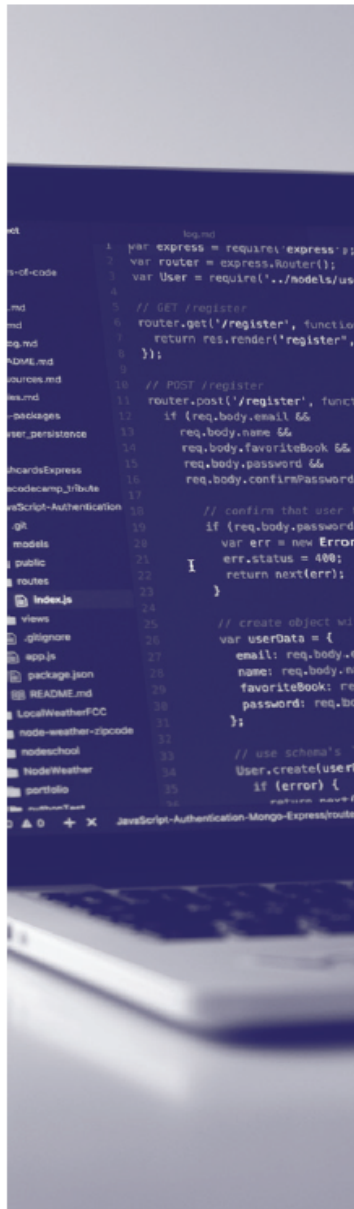


The nature of the County's siloed environment is a barrier for smaller departments to seek out best practices. Larger departments have dedicated resources to attend standing meetings with County procurement teams due to the volume of contracts administered. Smaller departments, due to their limited resources and infrequency of contract administration activities, have expressed a desire to obtain more tailored guidance and support applicable to their departments and divisions. Twenty-one of 31 interviews conducted with various departments and employees indicated interest in additional training on topics such as general process/procedures after contracts are executed, how to use Cobblestone, how to best track and monitor contracts, and more. Nine out of 31 interviews indicated interest in cross-departmental workgroups including opportunities to increase communication and discuss best practices.

Currently, the Finance department provides training opportunities such as the Procurement 101 series, "How To" guides, internal Finance Communication E-Blasts, and Coffee Time with Procurement. Coffee Time is a learning opportunity, which allows attendees to visit with the Procurement Manager and Finance Deputy Director. Applicable guides include instructions on how to look up an invoice or a purchase order. Various procurement trainings are offered quarterly. Not all trainings are well attended. During the most recent training as part of the Procurement 101 series, 9 of 20 who signed up attended the training. In conversations with Finance, it was noted that with the onboarding of the new Finance deputy directors, there are plans to further enhance training for users. Attendance and participation in procurement-led trainings, including existing state training opportunities, are greatly encouraged for continuous improvement and awareness.

A person with curly hair and glasses is looking down at a laptop. The image is in grayscale with a blue overlay across the middle. The text 'IV. Recommendations' is written in white on the blue overlay.

## IV. Recommendations



## Current Tools



### Implement the PeopleSoft contract management module for integration with the current finance system

#### Recommendation

County Finance should continue to ensure data availability and integrity, establish expectations of department responsibilities for monitoring, and provide department access and guidance on use of the new module.

#### Management Response

County Finance agrees with this recommendation. Finance with the support of Technology Services will implement the PeopleSoft contract module by July 30, 2023.



## Current Tools

### 2

## Enhance departmental purchase order reconciliation

### Recommendation

County Finance should continue to develop a standardized purchase order reconciliation process using PeopleSoft tools, and provide departmental training and establish frequency for performing reconciliations.

### Management Response

County Finance agrees with this recommendation and will develop a plan to ensure that the PO reconciliation process is standardized and that are [sic] trainings are available to departments. The first training will be held in the month of June 2022, with standardized processes formalized by August 2022.



## Collaborative Efforts

3

**Utilize established Coffee Talks, newsletters, and quarterly trainings to enhance transparency on roles, responsibilities, and contract process flow**

### Recommendation

The County should continue to develop collaboration opportunities focusing on consistent contract administration tools and best practices. This includes encouraging lean process improvements in smaller departments to leverage limited resources and exploring existing State training opportunities.

### Management Response

County Finance agrees with this recommendation and has implemented a monthly training/information session for all departments that will address procurement knowledge gaps, answer questions about procuring for goods and services, and serve as a means to standardize the procurement process countywide. Finance already practices strategic County-wide procurement opportunities in which all departments can participate. In the month of May 2022, Procurement held its second Coffee Talk hour with over 30 attendees hosted by the Procurement Manager. Finance will continue frequent trainings and opportunities for informational sessions ongoing to County staff who have Procurement roles.



## **V. Objectives, Scope and Methodology**





In accordance with the Clackamas County 2021 Audit Plan, the Office of County Internal Audit evaluated the contract administration process with a general focus on the County's contracting agencies, which include those listed in the Clackamas County Local Contract Review Board Rules<sup>8</sup>, and any other department that have contracts. The assessment of the contract lifecycle was from contract execution to contract closeout for all active contracts during Fiscal Year 2020-2021 (i.e., July 1, 2020, through June 30, 2021).

County Internal Audit engagements are selected and designed to address high risk potential, while maximizing the Office of County Internal Audit's resources and impact. Selection as a topic for an internal audit engagement does not mean an auditable unit is being managed ineffectively or internal controls are inadequate. It merely indicates that the services or functions the entity, office, or department is responsible for are, by nature, high priority activities with high-risk potential because of factors such as a large amount, or high degree, of:

- Reported expenditures or revenues;
- Available liquid assets, such as cash;
- Potential risks identified by management; or
- Public interest.

General objectives for the Contract Administration engagement—consistent with the County's values, strategies, and objectives—were to:

- Independently assess the effectiveness of Clackamas County's contract administration processes;
- Identify opportunities to lower operational costs and increase efficiency in delivering services to County residents;
- Advocate for continuous improvement through observations and recommendations; and
- Create transparency for the County.

---

<sup>8</sup> C-046-0100(1)



To achieve engagement objectives, the Office of County Internal Audit, among other potential engagement activities:

- Conducted interviews with team members in Finance, County department contract administrators and other potential stakeholders;
- Reviewed County policies and procedures;
- Reviewed Finance Performance Clackamas Strategic Plan for July 1, 2020;
- Reviewed National Association of State Procurement Officials materials;
- Reviewed Oregon Revised Statutes and Oregon Administrative Rules;
- Reviewed Oregon Department of Administrative Services Contract Administration Certificate program;
- Gathered a population of all contracts to select a sample for testing procedures; and
- Analyzed results against identified criteria.



## **VI. About the Office of County Internal Audit**



**Office of County  
Internal Audit**

2051 Kaen Road #460  
Oregon City, OR 97045  
Office: 503-742-5983  
Cell: 971-352-1644  
ocia@clackamas.us

The Office of County Internal Audit provides assurance, consulting, and investigative services to the public, employees, volunteers, and departments of Clackamas County so they can feel confident that the public's interests are protected and can engage with an accountable, high performing, and transparent local government. The Office helps Clackamas County accomplish its mission by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes.

The Office of County Internal Audit governs itself by adherence to The Institute of Internal Auditors' mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*.<sup>9</sup> The Office does not fully conform to the Standards to the extent the Office has not received an external review. Obtaining an external peer review is one of the Office's strategic goals. The County Internal Auditor reports functionally to the Internal Audit Oversight Committee and administratively to the publicly elected County Treasurer. This authority allows the Office of County Internal Audit to provide independent, objective, and risk-based assurance, advice, and insight. The Office is designed to add value and improve County operations and the County's ability to serve.

---

<sup>9</sup> <https://na.theiia.org/standards-guidance/mandatory-guidance/pages/standards.aspx>

Clackamas County  
Internal Audit Oversight Committee  
Meeting Materials  
Wednesday, June 8, 2022

Item #3  
Contract Administration Audit Presentation

# **Contract Administration:**

## *Leveraging Current Tools to Improve Contract Administration*

A report by the Office of County Internal Audit

1

# Why the Audit is Important

Recent events and federal funding support have led to increased contracting activity

- ▶ Effective contract management can:
  - ▶ Lower operational costs
  - ▶ Increase user satisfaction
  - ▶ Deliver services efficiently<sup>1</sup>
- ▶ Ineffective contract management can result in:
  - ▶ Under- or overspending of approved funds
  - ▶ Unsatisfactory or missing goods/services
  - ▶ Noncompliance with contractual terms
  - ▶ Fraud

<sup>1</sup> National Association of State Procurement Officials: Contract Administration Best Practices Guide



## What We Found

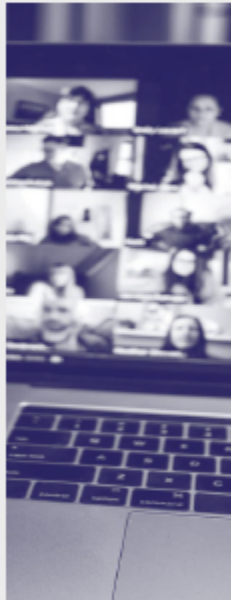
Lack of standardization and siloed environments are barriers to reporting all contract data with confidence



- ▶ What is working
  - ▶ Contract administrators are formally identified
  - ▶ Departments perform administrative tasks
  - ▶ Administrative teams support contract administrators
  - ▶ Contract administrators want expanded support
- ▶ What is creating barriers
  - ▶ Segregated data and isolated report queries limit countywide reporting options
  - ▶ Non-standard reporting options may limit data verification and integrity reviews
  - ▶ Gaps exist in purchase order controls

## What We Recommend

Leverage current tools and enhance collaborative efforts



### Current Tools

- 1 Implement the PeopleSoft contract management module for integration with the current finance system
- 2 Enhance departmental purchase order reconciliation

### Collaborative Efforts

- 3 Utilize established Coffee Talks, newsletters, and quarterly trainings to enhance transparency on roles, responsibilities, and contract process flow

## What is Being Done

Finance has agreed to all three recommendations. Implementation efforts for enhancements are underway.



### ▶ Current Tools

- ▶ Finance will work with Technology Services to implement the PeopleSoft contract module by July 30, 2023
- ▶ Finance will develop a plan to ensure purchase order process will be standardized with trainings beginning June 2022 and a formalized process by August 2022

### ▶ Collaborative Efforts

- ▶ Finance will continue to have monthly Coffee Talks hosted by the Procurement Manager
- ▶ Finance will continue frequent trainings and opportunities for cross-departmental conversations

Clackamas County  
Internal Audit Oversight Committee  
Meeting Materials  
Wednesday, June 8, 2022

Item #4  
Office of County Internal Audit Charter -  
2022 draft with suggested revisions



# Office of County Internal Audit Charter

## MISSION

The mission of the Office of County Internal Audit (Office) is to enhance and protect Clackamas County's organizational value by providing risk-based and objective assurance, advice, and insight.

## VISION

The Office provides assurance, consulting, and investigative services to the public, employees and departments of Clackamas County so they can feel confident that the public's interests are protected and can engage with an accountable, high performing, and transparent local government.

## PURPOSE

The County Internal Auditor establishes, implements, and monitors internal audit policies, procedures, and resources to provide independent, objective assurance, consulting and investigative activities designed to add value and improve County operations. The Office supports transparent, accountable, and informed decision-making and helps the County serve and enrich our community by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes.

## AUTHORITY

The Office is established under the authority provided in County Code Chapter 2.15: County Internal Auditor. The County Internal Auditor is the Chief Audit Executive (CAE). The Chief Audit Executive reports functionally to the Internal Audit Oversight Committee (IAOC) and administratively to the elected County Treasurer. Functional oversight responsibilities of the IAOC include approving the risk-based audit plan, reviewing audit reports and recommendations, and providing input regarding the appointment or removal of the CAE.

The Office is authorized to examine and evaluate the operations and activities of any office, department, political subdivision, or organization which receives appropriations from the Board of County Commissioners, or for which governing bodies are appointed by the Board of County Commissioners.

The Office is granted full, free and unrestricted timely access to all activities, information, records, property and personnel required to conduct an audit or otherwise perform audit duties. The Office has the authority to request reasonable assistance from County personnel in acquiring records, documents, and files, as well as inspection and entry privileges to all assets owned, leased, or borrowed by the County. Internal Audit staff are held strictly accountable for the safeguard of all materials and the confidentiality of information, when appropriate.

## PROFESSIONALISM

The Office governs itself by adherence to The Institute of Internal Auditors' mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Office's performance. The CAE annually affirms to the IAOC compliance with professional standards and the Code of Ethics.

## INDEPENDENCE AND OBJECTIVITY

The Office remains free from influence by County management in any element, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of necessary independent and objective mental attitude. The Office does not perform, or have authority over,

operational responsibilities or non-audit functions or duties subject to periodic internal audit assessments, as this may compromise its independence or objectivity.

Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments. Internal auditors have impartial, unbiased attitudes and avoid any conflicts of interest.

The CAE annually confirms to the IAOC the organizational independence of the internal audit function.

## **SCOPE OF WORK AND RESPONSIBILITIES**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the County's governance, risk management and control process, as well as the quality of performance in carrying out assigned responsibilities to achieve its goals and objectives. The Office provides three types of services – assurance, advisory and investigative.

*Assurance services* are objective examinations of evidence to provide an independent assessment; commonly referred to as audits. The scope of work for assurance services determines whether the County's network of governance, risk management, and control processes is adequate and functioning to ensure:

- Risks are appropriately identified and managed;
- Financial, managerial and operating information is accurate, reliable and timely;
- Actions follow the County's policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected;
- Operational results are consistent with established objectives and plans;
- Quality and continuous improvement are fostered in the internal control process;
- Legislative or regulatory issues impacting the County are recognized and addressed appropriately;
- IT development and systems are appropriately managed, controlled and protected; and
- Audit recommendations are evaluated and implemented, as appropriate.

*Advisory services* are consultative and include service activities such as counsel, advice, facilitation, training and participation on standing or temporary management committees or project teams. The objective of consulting services is to add value in the development, modification or validation of County processes, procedures and controls to minimize risk and achieve objectives.

*Investigative services* are independent special reviews and investigations addressing allegations of fraud, waste, abuse, or misuse of County assets and resources. The Office develops, implements, and manages the County fraud, waste, and abuse hotline program, the Good Government Hotline.

## **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

The Office maintains a quality assurance and improvement program. The program includes an evaluation of the office's conformance with the *Standards* and application of The Code of Ethics. The program assesses the efficiency and effectiveness of the internal audit function and identifies improvement opportunities. The CAE reviews program results with the IAOC at least annually.

The CAE reviews and assesses the adequacy of this charter with the IAOC at least annually. Revisions are submitted to the IAOC for approval. All approved revisions supersede prior Internal Audit charters.

## **COUNTY MANAGEMENT RESPONSIBILITIES**

County management is responsible for the County's governance, risk management, and control processes. The performance of audits and reviews by the Office does not relieve management of any responsibilities.

Approved as revised this 8th day of June 2022 by Internal Audit Oversight Committee vote, and in collaboration with the County Treasurer and the County Internal Auditor.

Clackamas County  
Internal Audit Oversight Committee  
Meeting Materials  
Wednesday, June 8, 2022

Item #5  
Internal Audit Oversight Committee Charter -  
2022 draft with suggested revisions



# Internal Audit Oversight Committee Charter and Bylaws

## MISSION

Through oversight of the Office of County Internal Audit (Office) activities, enhance and protect Clackamas County's organizational value by promoting risk-based and objective assurance, advice, and insight.

## VISION

The Office of County Internal Audit assurance and advisory services enhance Clackamas County residents', employees', and departments' confidence that the public's interests are protected and encourage engagement with an accountable, high performing, and transparent local government.

## PURPOSE

The purpose of the Clackamas County Internal Audit Oversight Committee (Committee) is to support, through the Office, the Clackamas County Board of County Commissioners, County Administrator, and County departments in their oversight of the County's system of internal controls, efficient and effective use of public resources, financial and operational reporting, information security, and compliance with laws, regulations, policies and ethics.

The Committee guides the activities of the Office and is a forum for all internal audit and external review issues affecting the County, including the monitoring and disposition of those issues. The Committee ensures the Office is independent and acts to promote its integrity and effectiveness. The Committee supports the Office in its efforts to bring a systematic, disciplined approach to evaluating and improving the efficacy of governance, risk management, and control processes.

## AUTHORITY

The Committee is established under the authority provided in County Code Chapter 2.15: County Internal Auditor.

The Committee is authorized to review any matters within its scope of responsibility. It may:

- Evaluate management's responses to audit recommendations and noted opportunities for improvement;
- Ensure no unreasonable restrictions are placed on the County Internal Auditor;
- Facilitate transparent communication between the County Internal Auditor, County Administrator, and Board of County Commissioners; and
- Monitor Office activities by working with the County Internal Auditor.

## COMPOSITION

The Committee is comprised of seven members - the Board of County Commissioners Chair, the Board of County Commissioners Vice Chair, the County Counsel, the County Administrator, and three members of the community appointed by the County Treasurer from a list of nominees submitted by the County Internal Auditor. The County Treasurer may serve as a non-voting member. The Committee membership represents a base of expertise in some of or all the following areas: local government, finance, risk, information security, and process improvement.

Community members must be Clackamas County residents and avoid conflicts of interest, or the appearance of such conflicts, that would impair independence. Should a conflict arise, members will

advise the County Internal Auditor. Community members may serve three consecutive two-year terms. One of the community members serves as the Committee Chairperson and is elected by the Committee.

## MEETINGS AND RECORDS

Committee meetings adhere to Oregon Public Meeting Law. The Committee determines the frequency of its meetings, meeting at least three times annually. The Committee may invite guests to provide pertinent information. Meeting agendas and briefing materials are prepared and provided in advance. Written or recorded minutes are prepared and provided to each Committee member. A quorum consists of four voting Committee members, including at least one community member. A quorum is required for all business requiring a vote of the Committee.

The Committee adheres to Oregon Public Records Law. The Office provides staff resources to the Committee and maintains all Committee permanent records. Distribution and retention of all Office and Committee records is administered through the Office. The Committee safeguards and maintains the security of unpublished information from unauthorized access. All public records requests are administered through the Office.

## RESPONSIBILITIES

The Committee has a responsibility to:

### Internal Control and Compliance

- Receive and review all significant internal audit and external review communications, reports, and management letters, as well as management's responses and follow-up activities.
- Consider the effectiveness of the County's governance processes.
- Consider the effectiveness of the County's risk management processes.
- Consider the effectiveness of the County's control processes, including information security and fraud detection.
- Consider the effectiveness of the County's system for monitoring law, rule and policy compliance.
- Review the results of management's investigation of any significant noncompliance event.
- Review reports summarizing investigations of potentially fraudulent activities.

### Office of County Internal Audit

- Review and assess the adequacy and effectiveness of the Office charter, activities, resources, qualifications and organizational structure, including compliance with The Institute of Internal Auditors' *International Professional Practices Framework for Internal Auditing, consisting of the Definition of Internal Auditing, Code of Ethics, and the Standards*.
- Review and approve the Office charter.
- Ensure there are no unjustified restrictions or limitations on the County Internal Auditor.
- Review and approve the internal audit risk-based Audit Plan and all major changes to the Plan.
- Review and provide input in the appointment or dismissal of the County Internal Auditor, prior to the County's action.

### Reporting Responsibilities

- Ensure an open avenue of communication between the Board of County Commissioners, County Administrator, County departments, Office of County Internal Audit, and external auditors.
- Regularly, in coordination with the County Internal Auditor, present to the Board of County Commissioners results of Committee and County Internal Audit activities.

### Other Responsibilities

- Assess the adequacy of Committee charter and bylaws at least annually and approve revisions when needed.
- Confirm annually the responsibilities outlined in this charter have been carried out.

## COUNTY MANAGEMENT RESPONSIBILITIES

County management is responsible for the County's governance, risk management, and control processes. The review and assessment of these processes by the Committee does not relieve management of its responsibilities.

Approved this 8th day of June 2022 by Internal Audit Oversight Committee vote.

Clackamas County  
Internal Audit Oversight Committee  
Meeting Materials  
Wednesday, June 8, 2022

Item #6  
2022 Audit Plan – Q2 Status



## 2022 Audit Plan

Assurance & Advisory Engagements – Q2 Status update  
June 8, 2022

Engagements	Status	Hours – Budget Actual Estimates	Notes
Finance - Contract administration	Complete	440*   457	Report issued May 26, 2022. Management agrees with 3/3 recommendations offered. *Total engagement budget – Engagement started in 2021 (320 hours) to be completed in 2022 (120 hours).
NCPRD Governance	In progress	200   123	Advisory engagement requested by management; Scope of review focuses on NCPRD governing structure and the NCPRD Board of Directors and District Advisory Board activities – Compliance with Oregon Public Records and Meetings Law and Local Contract Review Board rules. *Engagement hours (200) budgeted within Management Requests budget of 320 hours in total Fieldwork in progress; Target management letter date June 2022.
BCS Economic Development – ARPA Small Business Recovery Assistance Program	In progress	320   32	Survey work completed; Engagement Letter issued May 02, 2022; Fieldwork in progress; Target report date – October 2022
H3S Social Services – Rent Relief Program	In progress	420   35	Initial survey work started; Introductory meetings with H3S.
Equity & Inclusion Office – ADA & Civil Rights Compliance	Planning in progress	320   14	Initial coordination with the Equity & Inclusion Office.
TS – Information Security Program Maturity	Not yet started	320   0	
H3S Health Centers – Service delivery and transactions	Not yet started	420   0	
2022 Annual risk assessment	Not yet started	200   0	
2022 Audit monitoring	Not yet started	80   0	

Clackamas County  
Internal Audit Oversight Committee  
Meeting Materials  
Wednesday, June 8, 2022

Item #7

2022 Quality Assurance and Improvement Plan – Q2 Status



## 2022 Quality Assurance and Improvement Program

Q2 - Status update  
June 8, 2022

QAIP Goals & Activity	Status	Notes
County Code	Complete	County Ordinance #05-2020 - September 23, 2020
IAOC Handbook*	Complete	IAOC onboarding tool; updated May 2022
OCIA Webpage – Public internet	Complete	Review and maintenance ongoing;
Post-engagement customer survey*	Complete	Post-engagement survey process fully implemented and incorporated into ongoing activity.
OCIA Classification Series and Resources	In progress	Outstanding Senior Internal Auditor joined the team in July 2021! Development of County Internal Audit professional classification series continuing; Alignment with industry standards and Oregon market; Target completion June 2022.
OCIA Charter	In progress	Annual review – Target June 2022
IAOC Charter	In progress	Annual review – Target June 2022
IAOC Composition	In progress	Composition includes community membership – New community member appointed April 2022; Welcome, Jeff!
Hotline governance	In progress	Annual summary reports published; Governance and control processes being reviewed and revised to reflect new structure adopted in 2021.
OCIA Policy and procedure manual*	Not yet started	MFR target – 2021; To be addressed in 2022
OCIA Webpage – Intranet	Not yet started	
External Quality Assessment Review - Peer review*	Not yet started	Contract Target 2023

\*QAIP goal & activity included in Performance Clackamas – Strategic Business Plan

Standard	Summary of Requirement	Q1	Q2	Q3	Q4
IPPF 1000.C1	The Office of County Internal Audit charter is reviewed with the IAOC to ensure its adequacy and compliance with <i>Standards</i> .				
IPPF 1010	The CAE discusses with the IAOC the Definition of Internal Auditing, the Code of Ethics, and the Standards – as documented within the Office of County Internal Audit charter.				
IPPF 1010	The CAE discusses with senior management the Definition of Internal Auditing, the Code of Ethics, and the Standards – as documented within the Office of County Internal Audit charter.				
IPPF 1110	The CAE confirms to the IAOC annually the organizational independence of the Office of County Internal Audit.				
IPPF 1111	The CAE communicates and interacts directly with the Board – providing annual activity updates.				
IPPF 1130.A1&A2	The CAE confirms to the IAOC annually the objectivity of the Office of County Internal Audit staff.				
IPPF 1300	The CAE discusses the results of the Quality Assurance and Improvement Program, including ongoing monitoring of individual engagements, self-assessment results and recommendations, and external peer reviews.				
IPPF 2200 through IPPF 2450	The CAE discusses with the IAOC the results of individual engagement quality assurance reviews when presenting engagement results.				
IPPF 1312	The CAE discusses with the IAOC the form (full or validation) and frequency of external assessments, including the independence and qualifications of the external reviewer.				
IPPF 1320	The CAE communicates the results of the external assessment to the IAOC and the status of recommendations.				
IPPF 1320	The CAE communicates the results of the external assessment to senior management.				
IPPF 1321 & IPPF 1322	The CAE addresses with the IAOC the Office of County Internal Audit's use of statements of <i>Standard</i> conformity or nonconformity in engagement communications.				
IPPF 2040	The CAE confirms to the IAOC the adequacy of the Office of County Internal Audit policies and procedures, including the IAOC Member Handbook.				
IPPF 2050	The CAE reviews coordination of combined assurance functions within the county.				
IPPF 2500	The CAE monitors the status of all management recommendations (internal and external) and communicates the results to the IAOC to ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.				
IPPF 2600	The CAE communicates to the IAOC all circumstances in which the CAE has determined that senior management has accepted a level of risk that may be unacceptable to the county organization.				
IPPF 2010.A1 IPPF 2010. C1	The CAE performs and documents an annual countywide risk assessment, incorporating input from the IAOC, Board, and senior management.				
IPPF 1210 & IPPF 1230	The CAE demonstrates to the IAOC how the Office of Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to perform its responsibilities. CAE annually confirms compliance with all continuing professional education requirements.				
IPPF 1210.A2	The CAE addresses with the IAOC the sufficiency of fraud detection and investigation resources within the Office of County Internal Audit.				
IPPF 1210.A3	The CAE addresses with the IAOC the sufficiency of information technology auditing resources within the Office of County Internal Audit.				
IPPF 2000 & IPPF 2010	The CAE prepares and presents to the IAOC and senior management an audit plan which adds value to the county organization and represents a risk-based prioritization of Office of County Internal Audit resources.				
IPPF 2020	The IAOC reviews and approves the audit plan, considering resources limitations as communicated by the CAE.				
IPPF 2100 through IPPF 2130.C1	The CAE formally assesses and contributes to the improvement of county governance, risk management, and control processes – issuing an annual assessment report.				

###