



MEMORANDUM

DATE: December 17, 2024

TO: Board of County Commissioners
 FROM: Cindy Becker, Project Manager
 SUBJ: Issues 12/17/24: Budget Committee Motion regarding Sheriff’s Office Budget and Finance Performance Audit

The memo provides the status on the responses to the Budget Committee motion regarding the *Sheriff’s Office Budget and Finance Performance Audit* completed by Moss Adams in February 2024:
Motion: We strongly recommend that CCSO and County finance staff implement the recommendations of the February 24 Audit. Prioritize recommendations 2A, 3A, 6, and 7 by July 1, and the remaining recommendations by December of 2024.

JULY 1, 2024 Items

Category	#	Recommendation	Response
Critical	2A	County Finance develop, document, and share clearly defined guidance for the budget process, including guidance related to allocating indirect service costs to programs and accounting for vacancies in budget development.	<p>STATUS: COMPLETE</p> <p>The Budget Manual was updated and distributed for use during this FY24/25 budget season: https://web.clackamas.us/documents/drupal/f607e615-2d6a-43da-9fe9-2d1d15a76d68 Both indirect and vacancies are addressed in the attached, distributed January 11th. Minor edits were made (2.5.24 version) including specifying that the instructions apply to departments and offices. https://web1.clackamas.us/budgetsupport#documents Finance held a kickoff meeting for FY 24/25 – as it does each budget season - to walk through the manual. In addition, the Budget staff are always available to meet with departments individually.</p>
Critical	3A	CCSO prioritize efforts to align its budget and financial practices with recent County process and system improvements, including consistent use of the County’s chart of accounts	<p>STATUS: IN PROCESS</p> <p>CCSO is working with County Finance to identify how to better use the Chart of Accounts appropriately for clearer accounting of transactions. CCSO is implementing these accounting methods now. Both teams will meet in December to review progress.</p>
High	6	CCSO continue efforts to develop a departmental indirect cost allocation plan for allocating costs to the Levy and the ELED in alignment with County policy. This plan should be reviewed by County Finance and approved by the County Administrator. The ELED’s cost allocation plan should also be approved by the Board in accordance with IGA requirements.	<p>STATUS: IN PROCESS</p> <p>CCSO applied its indirect cost allocation to the Levy and the ELED. CCSO initially deducted the allocated costs from the administrative programs as CCSO believed that it was double charging the Levy and the ELED.</p> <p>County Finance advised CCSO to instead use the total program cost which CCSO will correct in the Quarter 3 Supplemental.</p>

	7	CCSO continue efforts to improve its use of the County's financial system so that operating expense charges can be directly charged to the Levy and the ELED as opposed to flowing through the general fund.	<p>STATUS: COMPLETE</p> <p>At the request of CCSO and concurrence of Finance, The Treasurer established an ELED bank account that is now operational for transactions. CCSO now can directly pay out of the new ELED bank account. Fund 100 Program ELED will be used if there are not sufficient funds available until Property taxes are received. Levy is also being directly allocated.</p>

December 2024 Items

Category	#	Recommendation	Response
Critical	8	CCSO and County Finance work together to develop clear expenditure guidelines for the Levy and the ELED. These guidelines should clarify allowable uses for the funds, specify what costs are included in fully burdened personnel costs, define how positions will be allocated to the fund (e.g., in a particular order), and define a methodology for prioritizing the use of funds in case of a budget shortfall. The guidelines should be reviewed by County Counsel and approved by the County Administrator. The guidelines should also be approved by the Board and reflected in the intergovernmental agreement between the ELED and the County.	<p>STATUS: IN PROCESS</p> <p>There are two different perspectives (CCSO and County) on this recommendation regarding the use of levy funds in case of a budget shortfall. However, both agree on the costs that should be included in fully loaded positions regardless of funding source.</p> <p><u>County Response:</u> The County has never looked to the levy to address a general fund budget shortfall, rather that funds are used as intended and not "saved". For example, some of the positions that were included in the levy have yet to be filled.</p> <p>The voters did not approve levy dollars to be held in reserve in case the levy fails in future years.</p> <p>Ultimately, the way levy funds are spent is a policy decision, not a legal decision. The Board decides how to spend all public tax dollars, even those of the Levy.</p> <p><u>CCSO Response:</u> CCSO and County Finance share clarity regarding, "what costs are included in fully burdened personnel costs." There is also clarity regarding, "how positions will be allocated to the fund" that is, Levy or ELED positions will be filled as those positions become vacant and hired. What remains at issue is to, "define a methodology for prioritizing the use of funds in case of a budget shortfall." The Sheriff does not believe that Levy funds should be used to backfill a reduction in General Fund positions. Likewise, the Sheriff does not agree that Levy funds, as special revenue funds, should be used to fill any gap in General Fund shortfall. The Sheriff agrees with County Counsel that spending special revenue funds for purposes not specifically provided would be a violation of state law. (Counsel Opinion, Stephen Madkour, 11-8-22)</p> <p>And also, with Counsel's opinion that, "The Enhanced Law Enforcement District and the Sheriff's levy are measures that promised additional or "enhanced" services, not services instead of or in lieu of (general</p>

			<p>fund services). Operationally those funds could not be expended first because many of the</p> <p>(Continuation of CCSO Response)</p> <p>services are to be added, or opened, or implemented on top of existing services level.”</p> <p>Additionally, the Sheriff and County Finance do not agree on the retention of a large Levy fund balance for post-Levy years which the Sheriff believes is necessary should the Levy not be renewed by the voters. In that event over 100 Levy funded positions and programs like the Body Worn Camera program will need to be cut. Having a fund balance would allow the Sheriff to gradually reduce operations over a period of time without an immediate catastrophic public safety impact.</p>
High	3C	<p>County leadership actively work to rebuild trust between County Finance and CCSO. This might include:</p> <ul style="list-style-type: none"> ○ Facilitating open and transparent communication between County Finance and CCSO by creating a space for openly expressing concerns, sharing perspectives, and identifying pain points. ○ Fostering a culture of collaboration and trust between County Finance and CCSO, with an emphasis on the shared goal of effective financial management and service delivery. 	<p>STATUS: ON-GOING</p> <p>Finance Leadership is meeting frequently with CCSO and discussing issues and seeking resolutions together.</p>
High	4	<p>County Finance implement a cost allocation policy that requires annual review of the cost allocation plan, which aligns with best practices and provides routine incremental adjustments over time.</p>	<p>STATUS: IN PROCESS</p> <p>Finance will develop a policy for review by the end of January 2025.</p>
Medium	1	<p>County Finance clearly define roles, responsibilities, and authority for budget processes in the budget manual to reduce the likelihood of potential misunderstandings.</p>	<p>STATUS: COMPLETE</p> <p>The FY24-25 Budget Manual was updated to include a “Governing Rules” section. Additionally, Finance is in process of providing sessions to review workflows and responsibilities with all departments. These are on the intranet.</p>
Medium	3B	<p>County Finance, in partnership with County leadership, create a culture of deliberate change management to ensure new initiatives are effectively developed, communicated, implemented, and adopted. This includes promoting communication and accountability throughout the process.</p>	<p>STATUS: IN PROCESS</p> <p>Finance will develop a change process document to use as a guide by December 1, 2024.</p>

Category	#	Recommendation	Response
Medium	5	CCSO and County Finance work together to revise the IGA's provisions to better align with current practice and realistic expectations of when the County's calculated cost allocation charge for the ELED will be available each year. The revised IGA should be reviewed by County Counsel and approved by the Board.	<p>STATUS: COMPLETE</p> <p>The revised Intergovernmental Agreement was approved by the Board at the August 7, 2024, Policy Session.</p>
Low	2B	To support continuous improvement, we recommend County Finance consider conducting a regular survey to collect input from departments on issues or areas of the budget process that are unclear.	<p>STATUS: COMPLETE</p> <p>Instead of a survey, Budget met with each department following the adoption of the FY24/25 Budget and received constructive feedback. Budget will host semi-monthly meetings as the FY25/26 Budget email updates are distributed. This will allow for real-time feedback and input from departments throughout the budget season. And then after-adoption meetings again.</p>