CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS
Sitting as the Enhanced Law Enforcement District Board

Presentation Date: August 7, 2024 **Approx. Start Time:** 2:00 pm **Approx. Length:** 30 minutes

Presentation Title: Enhanced Law Enforcement District Intergovernmental Agreement

Department: County Administration

Presenters: Gary Schmidt, County Administrator

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?
Staff seeks Board approval for the revised Enhanced Law Enforcement District Intergovernmental Agreement (ELED IGA).

EXECUTIVE SUMMARY:
The ELED is a limited purpose county service district which was approved by voters in November 1994. The District provides an improved level of patrol services in the unincorporated area of Clackamas County with the Metro urban growth boundary,

ELED financial and operation services are described in an Intergovernmental Agreement last updated November 2003.

The IGA revisions reflect the ELED-related recommendations made in the financial performance audit of the financial systems of the Sheriff's Office (CCSO) and County Finance, as conducted by Moss Adams, which was presented to the Board on February 20, 2024, specifically:

- (7) CCSO directly charge Levy and ELED instead of through general fund
- (5) CCSO & Finance: revise ELED IGA to better align cost allocation timing with realistic expectations for availability
- (8) CCSO/Finance: develop clear expenditure guidelines for Levy and ELED. Reviewed by County Counsel and approved by County Administrator. Guidelines should be approved by the Board of County Commissioners and reflected in ELED IGA.

Additional revisions were made to clarify roles and responsibilities.

These recommendations were further supported by a motion approved by the County Budget Committee on May 30, 2024:

- 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.

FINANCIAL IMPLICATIONS (current year and ongoing): N/A

Is this item in your current budget? ☐ YES ☐ NO

What is the cost? $N/A What is the funding source? N/A

STRATEGIC PLAN ALIGNMENT:

- How does this item align with the County's Performance Clackamas goals?
  - Ensure healthy and safe communities

LEGAL/POLICY REQUIREMENTS:

The revisions have been reviewed by County Counsel, County Administration and the Sheriff's Office.

PUBLIC/GOVERNMENTAL PARTICIPATION: N/A

OPTIONS:

- Option 1: Approve the updated IGA as submitted.
- Option 2: Direct staff to make changes to the IGA and bring back to the Board.
- Option 3: Reject all IGA revisions and retain the prior IGA.

RECOMMENDATION:

Staff recommends Option 1: Approve the updated IGA as submitted.

ATTACHMENTS:

1. Revised ELED IGA
2. Current ELED IGA
3. Moss Adams: Clackamas County Sheriff's Office Budget and Finance Performance Audit

SUBMITTED BY:

Division Director/Head Approval _________________
Department Director/Head Approval ______________
County Administrator Approval __________________

For information on this issue or copies of attachments, please contact Cindy Becker @ 503-930-6894

INTERGOVERNMENTAL AGREEMENT

Between

ENHANCED LAW ENFORCEMENT DISTRICT and CLACKAMAS COUNTY, OREGON

THIS AGREEMENT is entered into by and between the Enhanced Law Enforcement District (hereinafter referred to as "ELED" or the “District”) and Clackamas County, a political subdivision of the State of Oregon ("County"). This Agreement is effective upon execution by both parties.

RECITALS

WHEREAS, County is a political subdivision of the State of Oregon; and

WHEREAS, the Board of County Commissioners is the governing body of the County; and

WHEREAS, ELED is a limited purpose county service district organized pursuant to ORS Chapter 451 to provide law enforcement services to a limited portion of the County; and

WHEREAS, pursuant to ORS Chapter 451 the Board of County Commissioners (BCC) is designated as the ELED governing body; and

WHEREAS, the Sheriff’s Office is a Department of the County; and

WHEREAS, the Board of County Commissioners acting pursuant to statute in its capacity as the governing body for the ELED has designated the Sheriff as Administrator of the ELED, and

WHEREAS, County employees and staff provide or cause to be provided all financial and operational services for ELED; and

WHEREAS, pursuant to Clackamas County Code Section 2.09.060(F)(3), the County Administrator serves as the budget officer for the County and its service districts, including the ELED; and

WHEREAS, all real and personal property, government grants, bonds, indebtedness, contracts, purchasing, information systems, insurance, investment, budgets, audits, consultant services, intergovernmental agreements with the County, and other public agencies have been in the name of ELED; and

WHEREAS, the County has provided employees and services to ELED for which ELED has agreed to pay the County in an amount representing the value of the service rendered, such as employment-related services (personnel recruitment and discipline, labor negotiations, and the like), ELED Board administrative functions, workers' compensation, legal, records management, mail services, routine vehicle maintenance, and administrative services related to ELED's agenda and recordation of documents, among other items; and

WHEREAS, the parties hereto agree that sharing resources to avoid unnecessary duplication of staff, equipment, and training will promote efficiency and effectiveness in local government administration and service delivery; and

WHEREAS, the parties agree that providing a method for the provision of service and payment therefor promotes clarity and certainty for budget purposes and is consistent with the requirements of ORS Chapter 451; and

WHEREAS, the parties have the authority to enter into this Agreement pursuant to ORS 190.010; and

WHEREAS, the parties acknowledge that the passage of time and changing circumstances require that this Agreement be revised and updated to better reflect the intent of the parties and to memorialize the relationship and obligations to the parties to this Agreement; and

NOW, THEREFORE, the parties being fully advised, hereto agree as follows:

Section 1. Recitals

The Recitals set forth above are incorporated by reference herein.

Section 2. Term

This Agreement shall have an initial term from the date of signing hereof to June 30, 2025, and shall automatically renew for successive one-year terms of July 1 to June 30 of each succeeding year unless either party gives notice of non-renewal of its terms no later than the January 1 prior to the end of the initial or renewal term.

Upon the execution by both parties, this Agreement supersedes and replaces the intergovernmental agreement entered into by and between the parties on November 6, 2003.

Section 3. Firm Services Provided by County

County agrees to provide Firm Services described below to ELED. For purposes of this Agreement, "Firm Services" shall mean that the County shall provide and maintain appropriate staff and other resources necessary to provide the required level of service on a regular basis to ELED. ELED will comply with all County policies, procedures and standards related to these services. Firm services are:

A. *Employment-Related Services.* County will provide all aspects of employment- related services for regular, full-time, and part-time County employees providing services to ELED, which include but are not limited to personnel recruitment, classification, compensation, employee relations, employee policy administration, training, diversity, discipline and termination, labor negotiations, reduction in force, job placement services, risk services, benefits and salary administration, workers compensation and unemployment funding. All services shall be provided in a timely fashion for the particular service or task as coordinated between the County Administrator and the Sheriff or his/her designee.

B. *BCC/County Administrator.* The offices of the Board of County Commissioners (BCC) and the County Administrator shall provide all necessary services for ELED, such as provision of notices and conduct of public meetings in compliance with law, of hearings, work sessions, and meetings before the BCC, management oversight, and reporting or memorializing of ELED Board actions necessary for the proper functioning of ELED. The Clackamas County Sheriff's Office staff shall provide notice and conduct of public meetings, and record or memorialize meetings and actions in compliance with applicable law for any ELED advisory committee.

C. *Public and Governmental Affairs.* County shall provide public and governmental affairs consisting of legislative liaison and a common organizational framework for strategic communications and public information services to the public, including but not limited to cable television government access programs, web page content review, and other public information services and publications. County may provide community relations, grant writing support, and other projects of discrete benefit to ELED through enhanced field services provided through the Public and Government Affairs Department.

D. *Finance and Purchasing Services.* County will provide ELED with payroll, budget services, audit services, general government accounting, purchasing for goods and services, and courier services.

a. County through Sheriff's Office or other County departments shall provide all aspects of financial, budget and audit support, including but not limited to timely accounting for enterprise accounting, billing, and collection, debt payment, accounts receivable and accounts payable.

b. The Treasurer may provide investment services for the ELED.

c. Debt issuance will occur pursuant to the County debt issuance policy.

E. *Technology Services.* The Technology Services Department shall provide office automation services for consistency and compatibility between ELED, Sheriff's Office and other County Departments and related entities. This consists of services such as development of software and hardware standards common to all personal computers, meta-frame servers, licensing of furnished software, human resources and financial management systems, Local Area Networks and Wide Area Network services, internet, intranet, and website host services, technical and user support, GIS, application development, communications services, cellular telephone, telephones, and the voice mail system.

Section 4. Payment for Firm Services by ELED

ELED agrees that the most cost-effective method of calculating payment for Firm Services set forth in Section 3 shall be according to an allocation formula consistent with state and federal law, as set by the County. The budgeted allocated amount for a fiscal year shall be paid to the service provider as stipulated in the County's financial policies.

Section 5. Other Services Provided by County to ELED

The County will provide the services set forth in this section on a limited or as-needed basis. County's obligation to provide the limited or as-needed services described in this Section 5 are contingent upon the availability of resources, as determined by County in its sole discretion. Those services are:

A. *Assessor.* Pursuant to statute, ELED will annually certify to the Clackamas County Assessor ("Assessor") the real property tax levy for inclusion on the tax statements within appropriate taxing districts, as determined by the Assessor. The Assessor will also provide other services prescribed by law or policy.

B. *Property Management.* The County will provide property management services as requested for properties acquired by the ELED, including facilitation of sales, transfer, or conveyances, as requested and approved by ELED.

C. *Risk Management.* The County will provide Risk Management Services, including but not limited to solicitation and evaluation of insurance proposals for ELED, claims oversight, OSHA compliance and risk control measures. A portion of the cost may be allocated as a firm service as provided by Section 4 for the ELED portion of the Sheriff's Office contribution to the risk management fund.

D. *Legal Services.* County Counsel shall provide legal services on an as-needed basis. County Counsel will not be used by ELED if County Counsel determines a conflict of interest arises which precludes County

Counsel from acting as counsel for ELED and will not be used if specialized legal services are needed by ELED and cannot be provided by County Counsel.

E. *Specialized Training.* County will make available to employees providing services to ELED training courses that will provide benefits to ELED's operations.

F. *C-Com.* C-Com will provide call answering and routing services for call outs and access to emergency communications. This cost may be allocated as a firm service as provided by Section 4 by agreement of the parties.

G. *Records Management.* County shall provide all aspects of records management for ELED in compliance with the Oregon public records law and the state records retention requirements.

H. *Additional Services.* The parties may agree on a case-by-case basis for the County to provide other services to ELED. The nature of each service shall be explained in a memorandum of agreement, which may be executed by the County Administrator and the Clackamas County Sheriff.

Section 6. Payment by ELED for Other Services

For each service set forth in Section 5, unless otherwise specifically allowed to be allocated as a Firm Service, ELED agrees to pay the County on a time and materials basis for the services performed. Services shall be identified by the Sheriff or his/her designee, and the services shall be performed in a timely manner, according to a schedule approved by the Sheriff or his/her designee. The ELED will pay for services provided by County within thirty (30) days after receipt of invoice from the County service provider. Disputed amounts shall be resolved according to Section 17 below.

Section 7. Services Provided by ELED

ELED shall, at its sole cost and expense, provide the following services in the manner deemed most cost-effective by the ELED Administrator:

A. Purchasing of specific items unique to providing law enforcement services.

B. Selection, solicitation, and usage of outside consultants specific to ELED.

C. Specialized training not available from County.

Section 8. Accounting Practices and Additional Budget Conditions

A. *Compensated Absences*. The ELED contracts with the County for the provision of employment services by County employees consistent with its mission. As part of the normal course of business, County employees providing work for the ELED accrue the right to compensated absences such as paid vacation or paid sick time, as well as payroll and related taxes. For clarity of administration, the parties agree that the costs and obligation of such compensated absences and payroll and related taxes shall be reflected in the accounting books and ledgers of the County, and the ELED shall have only an obligation to pay for such costs when realized, as part of consideration for the provision of county employees to accomplish the purposes of ELED.

B. *Fiscal Practices:* ELED agrees to pay allowable costs and charges directly from their designated fund. Payment for services provided by County under this Agreement will be paid in accordance with Sections 4 and 6, above.

C. *Pension Obligations.* Pursuant to recent Government Accounting Standard Board requirements, the obligation of an employer with respect to its employee's pension payments and other post-employment obligations must be reflected in the accounting ledgers and books of the employer. For clarity of administration, the parties agree that all such obligations shall be reflected in the accounting ledgers and books of the County.

D. *Cost Allocation Plan*. Each fiscal year, County will provide the Clackamas County Sheriff's Office its most current cost allocation plan in accordance with Section 4 of this IGA.

E. *Sheriff's Office Direct Costs*. The Sheriff's Office will directly charge ELED its operating expenses.

F. *Expenditure Guidelines.* Each fiscal year, County Finance and the Sheriff's Office shall meet to develop clear expenditure guidelines for ELED. The guidelines should clarify allowable uses of funds, specify costs to be included in the fully burdened personnel costs, including Sheriff's Office overhead costs, define how positions will be allocated to the funds, and define a methodology for prioritizing use of funds in the event of a budget shortfall. The expenditure guidelines will be reviewed annually by County Counsel and the Clackamas County Administrator.

Section 9. Insurance

Risk associated with activities of County officers, employees or agents providing services to ELED shall be managed and paid for through the County risk management program. ELED shall not be required to provide separate insurance policies insuring that same risk.

Section 10. Review of Services

Prior to October 1st of any year, either party hereto may solicit proposals for any one or more services from the other or any third party according to applicable contracting statutes, rules and protocols.

Section 11. Termination of Service

This Agreement is conditioned upon the faithful performance by both parties of the terms and provisions hereof, which are to be kept and performed. Either party may terminate a particular service hereunder if the quality, cost, or timeliness of performance of said service is not clearly and quantifiably shown to meet an objectively acceptable standard for the particular service. Description of tasks, standards of performance, costs and the like may be set by the parties through amendments to this Agreement or through further memorandums of understanding as set forth in Section 21, which shall become part of this Agreement. If either party desires to terminate a particular service, notice shall be given no later than January 1st of any fiscal year to assist the other party in its budget formulation process.

Section 12. Termination of Agreement

This Agreement is conditioned upon the faithful performance by both parties of all the terms and provisions hereof, which are to be kept and performed. Either party may terminate this Agreement on account of breach by the other party upon thirty (30) days written notice within an opportunity to cure. Notwithstanding the foregoing, either party may give notice of intent not to renew by giving notice no later than January 1st that is prior to the end of the then current term.

Section 13. Audit

Each party agrees that the other may, at any reasonable time, and upon reasonable notice, inspect the books and records of the other with respect to matters within the purview of this Agreement for the purpose of determining the accuracy of any expense accounting submitted.

Section 14. Amendment

The terms of this Agreement may be amended by mutual agreement of the parties. Any amendment shall be in writing and shall refer specifically to this Agreement and shall be valid only when executed by the governing bodies of the parties and attached hereto.

Section 15. Severability

In the event any of the provisions of this Agreement shall be held to be invalid or unenforceable, the remaining provisions shall be valid and binding upon the parties hereto.

Section 16. Notice

Any notice herein required or permitted to be given shall be in writing and shall be effective when actually received and may be given by hand delivery or by the United States mail, First Class, postage pre-paid, addressed to the parties as follows:

If to County:

Clackamas County
Attention: County Administrator
2051 Kaen Road
Oregon City, OR 97045

If to ELED:

Clackamas County Sheriff's Office
Attention: Sheriff
2223 Kaen Road
Oregon City, OR 97045

Changes to the above shall be by notice to the other in the manner provided in this paragraph.

Section 17. Dispute Resolution

The parties shall first attempt to resolve the dispute by negotiation between the County Administrator and/or his/her designee for the County and the Clackamas County Sheriff and/or his/her designee for the ELED followed by submission of the dispute to the governing bodies of the parties if negotiation fails to resolve the dispute. Nothing in this Agreement shall limit the ability of the governing bodies to select an individual or entity to serve as facilitator in such negotiations.

Section 18. Nonwaiver

Failure by any party, at any time, to require performance by the other party of any provision hereof shall in no way affect such party's rights to enforce the same, nor shall any waiver by any party or parties of the breach hereof be held to be a waiver of the succeeding breach or a waiver of this clause.

Section 19. Binding Effect

The covenants, conditions, and terms of this Agreement shall extend to and be binding upon and inure to the benefit of the successors and assigns of the parties hereto.

Section 20. Merger

This Agreement embodies the entire agreement and understanding between the parties hereto and supersedes all previous agreements and understandings.

Section 21. Further Clarification/Memoranda

Upon identification of provisions of this Agreement that need further interpretation or clarification, the parties may prepare memoranda of understanding detailing the agreed upon interpretation of this Agreement. Such memoranda shall be presented for review and approval by the governing bodies of the parties.

Section 22. Additional Terms and Conditions

A. *Oregon Law and Forum.* This Agreement, and all rights, obligations, and disputes arising out of it will be governed by and construed in accordance with the laws of the State of Oregon and the ordinances of Clackamas County without giving effect to the conflict of law provisions thereof. Any claim between County and ELED that arises from or relates to this Agreement shall be brought and conducted solely and exclusively within the Circuit Court of Clackamas County for the State of Oregon; provided, however, if a claim must be brought in a federal forum, then it shall be brought and conducted solely and exclusively within the United States District Court for the District of Oregon. In no event shall this section be construed as a waiver by the County of any form of defense or immunity, whether sovereign immunity, governmental immunity, immunity based on the Eleventh Amendment to the Constitution of the United States or otherwise, from any claim or from the jurisdiction of any court. ELED, by execution of this Agreement, hereby consents to the personal jurisdiction of the courts referenced in this section.

B. *Compliance with Applicable Law.* Both parties shall comply with all applicable local, state and federal ordinances, statutes, laws and regulations. All provisions of law required to be a part of this Agreement, whether listed or otherwise, are hereby integrated and adopted herein. Failure to comply with such obligations is a material breach of this Agreement.

C. *Debt Limitation.* This Agreement is expressly subject to the limitations of the Oregon Constitution and Oregon Tort Claims Act and is contingent upon appropriation of funds. Any provisions herein that conflict with the above referenced laws are deemed inoperative to that extent.

D. *No Third-Party Beneficiary.* ELED and County are the only parties to this Agreement and are the only parties entitled to enforce its terms. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide any benefit or right, whether directly, indirectly or otherwise, to third persons unless such third persons are individually identified by name herein and expressly described as intended beneficiaries of the terms of this Agreement.

E. *Counterparts.* This Agreement may be executed in several counterparts (electronic or otherwise), each of which shall be an original, all of which shall constitute the same instrument.

F. *Necessary Acts.* Each party shall execute and deliver to the others all such further instruments and documents as may be reasonably necessary to carry out this Agreement.

G. *Successors in Interest.* The provisions of this Agreement shall be binding upon and shall inure to the benefit of the parties hereto, and their respective authorized successors and assigns.

H. *Force Majeure.* Neither ELED nor County shall be held responsible for delay or default caused by events outside of the ELED or County's reasonable control including, but not limited to, fire, terrorism, riot, acts of God, or war. However, each party shall make all reasonable efforts to remove or eliminate such a cause of delay or default and shall upon the cessation of the cause, diligently pursue performance of its obligations under this Agreement.

I. *No Attorney Fees.* In the event any arbitration, action or proceeding, including any bankruptcy proceeding, is instituted to enforce any term of this Agreement, each party shall be responsible for its own attorneys' fees and expenses.

IN WITNESS HEREOF, the Parties have executed this Agreement by the date set forth opposite their names below.

CLACKAMAS COUNTY, a political subdivision of the State of Oregon

___________________________ Dated: ________________ , 2024
Tootie Smith, Chair

ENHANCED LAW ENFORCEMENT DISTRICT, a county service district organized pursuant to ORS Chapter 451

___________________________ Dated: ________________ , 2024
Tootie Smith, Chair

INTERGOVERNMENTAL AGREEMENT

Between

ENHANCED LAW ENFORCEMENT DISTRICT and CLACKAMAS COUNTY, OREGON

THIS AGREEMENT is made this 6th day of November, 2003, by and between the Enhanced Law Enforcement District (hereinafter referred to as "ELED") and Clackamas County, a political subdivision of the State of Oregon ("County").

RECITALS

WHEREAS, County is a general purpose government organized pursuant to the laws of this state; and

WHEREAS, ELED is a limited purpose county service district organized pursuant to ORS Chapter 451 to provide law enforcement services to a limited portion of the County; and

WHEREAS, pursuant to ORS Chapter 451 the Board of County Commissioners (BCC) is designated as the ELED governing body; and

WHEREAS, the Sheriff's Department is a Department of County; and

WHEREAS, the Board of County Commissioners acting pursuant to statute in its capacity as the governing body for the ELED has designated the Sheriff as Administrator of the ELED, and

WHEREAS, County employees staff and provide or cause to be provided all financial and operation services for ELED; and

WHEREAS, all property, government grants, bonds, indebtedness, contracts, purchasing, information systems, insurance, investment, budgets, audits, consultant services, intergovernmental agreements with the County, and other public agencies have been in the name of ELED; and

WHEREAS, the County has provided employees and services to ELED for which ELED has reimbursed the County in an agreed upon amount representing the value of the service rendered, such as employment-related services (personnel recruitment and discipline, labor negotiations, and the like), ELED Board administrative functions, workers' compensation, legal, records management, mail services, routine vehicle maintenance, and administrative services related to ELED's agenda and recordation of documents, among other items; and

WHEREAS, the parties hereto agree that sharing resources to avoid unnecessary duplication of staff, equipment, and training will promote efficiency and effectiveness in local government administration and service delivery; and

WHEREAS, the parties agree that providing a method for the provision of service and payment therefor promotes clarity and certainty for budget purposes and is consistent with the requirements of ORS Chapter 451; and

WHEREAS, the parties have the authority to enter into this Agreement pursuant to ORS 190.030, and being fully advised;

NOW, THEREFORE, the parties hereto agree as follows:

Section 1. Recitals

The Recitals set forth above are incorporated by reference herein.

Section 2. Term

This Agreement shall have an initial term from the date of signing hereof to June 30, 2004, and shall automatically renew for successive one-year terms of July 1 to June 30 of each succeeding year unless either party gives notice of non-renewal of its terms no later than the January 1 prior to the end of the initial or renewal term.

Section 3. Firm Services Provided by County

County agrees to provide the following services to ELED on a firm basis. For purposes of this Agreement, "firm services" shall mean that the County shall provide and maintain appropriate staff and other resources necessary to provide the required level of service on a regular basis to ELED. ELED will comply with all County policies, procedures and standards related to these services. Firm services are:

A. *Employment-Related Services*. County will provide all aspects of employment-related services for regular, full-time and part-time County employees providing services to ELED, which include but are not limited to personnel recruitment, classification, compensation, employee relations, employee policy administration, training, diversity, discipline and termination, labor negotiations, reduction in force, job placement services, benefits and salary administration, workers compensation and unemployment funding. All services shall be provided in a timely fashion for the particular service or task as coordinated between the County Administrator and the Sheriff or his/her designee.

B. *BCC/County Administrator*. The offices of the BCC and the County Administrator shall provide all necessary services for ELED, such as provision of notices and conduct of public meetings in compliance with law, of hearings, work sessions, and meetings before the BCC, management oversight, and reporting or memorializing of ELED Board actions necessary for the proper functioning of ELED. Sheriff Department staff shall provide for notice and conduct of public meetings, and record or memorialize meetings and actions in compliance with law for any ELED advisory board.

C. *Public and Governmental Relations.* County shall provide public and governmental relations consisting of legislative liaison and a common organizational framework for strategic communications and public information services to citizens, including but not limited to cable television government access programs, web page content review, and other public information services and publications.

D. *Finance and Purchasing Services.* County will provide ELED with payroll, budget services, general government accounting, purchasing for goods and services not defined in Section 7, and courier services.

Section 4. Payment for Firm Services by ELED

ELED agrees that the most cost effective method of calculating payment for Firm Services set forth in Section 3 shall be according to an allocation formula consistent with state law, agreed to by the parties and included in the ELED budget. The allocation formula shall be based upon factors agreed upon by the governing bodies of the parties. The budgeted, allocated amount for a fiscal year shall be paid to the service provider in twelve (12) monthly installments. By January 1st of each year, the County shall provide to ELED its allocation amount for the particular service for the next fiscal year, which shall be included in the ELED budget. Any change in allocation methodology shall require the approval of the governing bodies of the parties.

Section 5. Other Services Provided by County to ELED

The County will provide the services set forth in this section on a limited or as-needed basis. Those services are:

A. *Fiscal Services.* County through Sheriff Department or other County departments shall provide all aspects of financial, budget and audit support, including but not limited to enterprise accounting, billing, and collection, debt payment, accounts receivable and accounts payable. ELED may follow the County's fiscal policy or adopt a fiscal policy with the approval of the BCC. The Treasurer may provide investment services for the ELED. Debt issuance will occur pursuant to the County debt issuance policy.

B. *Assessor.* Pursuant to statute, ELED will annually certify to the Assessor on the LB50 Form, the real property tax levy for inclusion on the tax statements within appropriate taxing districts, as determined by the Assessor.

The Assessor will also provide other services prescribed by law or policy.

C. *Property Management.* The County will provide property management services as requested for properties acquired by the ELED, including facilitation of sales, transfer or conveyances, as requested and approved by ELED.

D. *Risk Management.* The County will provide Risk Management Services, including but not limited to solicitation and evaluation of insurance proposals for

ELED, claims oversight, OSHA compliance and risk control measures. A portion of the cost may be allocated as a firm service as provided by Section 4 for the ELED portion of the Sheriff Department contribution to the risk management fund.

E. *Legal Services*. County Counsel shall provide legal services on an as-needed basis. County Counsel will not be used by ELED if a conflict of interest arises which precludes County Counsel from acting as counsel for ELED, and will not be used if specialized legal services are needed by ELED and cannot be provided by County Counsel.

F. *Equipment Maintenance for Rolling Stock*. County will provide routine vehicle maintenance on request. County will also provide vehicles as available on a per-mile charge basis or assign a vehicle(s) to ELED on a month-to-month rental basis as the parties may agree.

G. *Specialized Training*. County will make available to employees providing services to ELED training courses that will provide benefits to ELED's operations.

H. *Personnel*. County will provide a level of personnel support that is sufficient to provide adequate service to support the ELED functions.

I. *C-Com*. C-Com will provide call answering and routing services for after-hours call outs and access to the 800 MHz radio system. This cost may be allocated as a firm service as provided by Section 4 by agreement of the parties.

J. *Records Management*. County shall provide all aspects of records management for ELED in compliance with the Oregon public records law and the state records retention requirements.

K. *Community Relations/Grant Assistance*. County may provide community relations, grant writing support, and other projects of discrete benefit to ELED through enhanced field services provided through the Public and Government Relations Department.

L. *Information Services*. The Information Services Department shall provide office automation services for consistency and compatibility between ELED, Sheriff Department and other County Departments and related entities. This consists of services such as development of software and hardware standards common to all personal computers, metaframe servers, licensing of furnished software, human resources and financial management systems, Local Area Networks and Wide Area Network services, internet, intranet, and website host services, technical and user support, GIS, application development, communications services, cellular telephone, telephones, and the voice mail system. County may provide website development services for ELED. ELED may update and design the website in compliance with Clackamas County policy.

M. *Additional Services*. The parties may agree on a case by case basis for the County to provide other services to ELED. The nature of each service shall be explained in a memorandum of agreement, which may be executed by the County Administrator and Sheriff.

Section 6. Payment by ELED for Other Services

For each service set forth in Section 5, unless otherwise specifically allowed to be allocated as a firm service, ELED agrees to pay the County on a time and materials basis for the services performed. Services shall be identified by the Sheriff or his/her designee, and the services shall be performed in a timely manner, according to a schedule approved by the Sheriff or his/her designee. The cost for materials shall be the out-of-pocket costs incurred by the County, without markup. Labor shall be recorded by time card or other reliable recording mechanism, which identifies the date, person, task, and time spent by tenths of an hour. The labor cost as established in the Cost Allocation Plan, shall consist of, but not be limited to, the actual payroll and employee fringe benefit cost of the County employees providing the requested service, the direct expense, indirect expense, and overhead for the person, as established by the Department of Employee Services or other method agreed upon by the parties. The ELED will pay for services rendered within thirty (30) days after receipt of invoice from the service provider. Disputed amounts shall be resolved according to Section 18 below.

Section 7. Services Provided by ELED

ELED shall, at its sole cost and expense, provide the following services in the manner deemed most cost-effective by the ELED Director:

A. Purchasing of specific items unique to providing law enforcement services.

B. Selection, solicitation, and usage of outside consultants specific to ELED.

C. Specialized training not available from County.

Section 8. Reserved

Section 9. Reserved

Section 10. Insurance

Risk associated with activities of County officers, employees or agents providing services to ELED shall be managed and paid for through the County risk management program. ELED shall not be required to provide separate insurance policies insuring that same risk.

Section 11. Review of Services

Prior to October 1st of any year, either party hereto may solicit proposals for any one or more services from the other or any third party according to applicable contracting statutes, rules and protocols.

Section 12. Termination of Service

This Agreement is conditioned upon the faithful performance by both parties of the terms and provisions hereof, which are to be kept and performed. Either party may terminate a particular service hereunder if the quality, cost or timeliness of performance of said service is not clearly and quantifiably shown to meet an objectively acceptable standard for the particular service. Description of tasks, standards of performance, costs and the like may be set by the parties through further memorandums of understanding, which shall become part of this Agreement. If either party desires to terminate a particular service, notice shall be given thereof prior to January 1st of any fiscal year to assist the other party in its budget formulation process.

Section 13. Termination of Agreement

This Agreement is conditioned upon the faithful performance by both parties of all the terms and provisions hereof, which are to be kept and performed. Either party may terminate this Agreement on account of breach by the other party upon thirty (30) days written notice. Notwithstanding the foregoing, either party may give notice of intent not to renew by giving notice no later than the January 1st prior to the end of the then current term.

Section 14. Audit

Each party agrees that the other may, at any reasonable time, and upon reasonable notice, inspect the books and records of the other with respect to matters within the purview of this Agreement for the purpose of determining the accuracy of any expense accounting submitted.

Section 15. Amendment

The terms of this Agreement may be amended by mutual agreement of the parties. Any amendment shall be in writing and shall refer specifically to this Agreement and shall be valid only when executed by the governing bodies of the parties, and attached hereto.

Section 16. Severability

In the event any of the provisions of this Agreement shall be held to be invalid or unenforceable, the remaining provisions shall be valid and binding upon the parties hereto.

Section 17. Notice

Any notice herein required or permitted to be given shall be in writing and shall be effective when actually received and may be given by hand delivery or by the United States mail, First Class, postage pre-paid, addressed to the parties as follows:

If to County:

Clackamas County
ATTENTION: County Administrator
906 Main Street
Oregon City, OR 97045

If to ELED

Clackamas County Sheriff
c/o Clackamas County Sheriff's Department
2223 Kaen Rd.
Oregon City OR 97045

Changes to the above shall be by notice to the other in the manner provided in this paragraph.

Section 18. Dispute Resolution

The parties shall first attempt to resolve the dispute by negotiation between the County Administrator for the County and the Sheriff followed by submission of the dispute to the governing bodies of the parties if negotiation fails to resolve the dispute.

Section 19. Nonwaiver

Failure by any party, at any time, to require performance by the other party of any provision hereof shall in no way affect such party's rights to enforce the same, nor shall any waiver by any party or parties of the breach hereof be held to be a waiver of the succeeding breach or a waiver of this clause.

Section 20. Binding Effect

The covenants, conditions, and terms of this Agreement shall extend to and be binding upon, and inure to the benefit of the successors and assigns of the parties hereto.

Section 21. Merger

This Agreement embodies the entire agreement and understanding between the parties hereto and supercedes all previous agreements and understandings.

Section 22. Further Clarification/Memoranda

Upon identification of provisions of this Agreement that need further interpretation or clarification, the parties may prepare memoranda of understanding detailing the agreed

204 997

upon interpretation of this Agreement. Such memoranda shall be presented for review and approval by the governing bodies of the parties.

IN WITNESS WHEREOF, the parties have set their hands as of the date and year hereinabove written.

CLACKAMAS COUNTY, a political subdivision of the State of Oregon	**ENHANCED LAW ENFORCEMENT DISTRICT**
By: Bill Kennemer	By: Bill Kennemer
Date: November 6, 2003	Date: November 6, 2003

am/districts/451 IGAs/451eled.iga2(10/23/03)

204 998

FINAL REPORT

Clackamas County

SHERIFF'S OFFICE BUDGET AND FINANCE PERFORMANCE AUDIT

February 13, 2024

Moss Adams LLP
999 Third Avenue, Suite 2800
Seattle, WA 98104
(206) 302-6500

MOSSADAMS

Table of Contents

I. EXECUTIVE SUMMARY

A. INTRODUCTION

Clackamas County (the County) engaged Moss Adams LLP (Moss Adams) to conduct a performance audit of the budget and financial practices of the County and the Clackamas County Sheriff's Office (CCSO), the County's law enforcement agency responsible for providing public safety and law enforcement services in Clackamas County, Oregon. The audit period for this performance audit was fiscal year 2023 (FY23).

The objectives of this performance audit were to determine:

1. To what extent County financial policies and procedures adhere to best practices
2. To what extent County Finance is appropriately managing and implementing the systems of record and department requirements
3. Whether CCSO complies with existing County financial policies and procedures as it relates to cost allocation, administrative overhead, and transaction processing
4. The efficiency and effectiveness of CCSO's processes related to accounting, budgeting, and financial reporting
5. The tracking and use of revenue sources within CCSO

We conducted this performance audit between November 2023 and February 2024 using a four-phased approach consisting of project initiation and management, fact-finding, analysis, and reporting.

B. SUMMARY OF FINDINGS AND RECOMMENDATIONS

Findings and recommendations are grouped into four themes: budget processes, cost allocation, financial practices, and revenue sources. They are summarized in the following table and presented with greater detail in Section IV of this report.

PRELIMINARY FINDINGS AND RECOMMENDATIONS		
Budget Processes (Objectives 1, 2 & 3)		
1.	**Finding**	Roles, responsibilities, and budget authority are not clearly defined in the County's budget manual. This has caused some confusion around the budget process and impacted collaboration between CCSO and County Finance.
	Recommendation	We recommend County Finance clearly define roles, responsibilities, and authority for budget processes in the budget manual to reduce the likelihood of potential misunderstandings.
2.	**Finding**	There is a lack of clearly documented guidance in some areas of the County's budget process, which resulted in inconsistencies in budgeting approaches between County Finance and CCSO in FY23.

PRELIMINARY FINDINGS AND RECOMMENDATIONS		
	Recommendation	A. We recommend 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. B. 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.
3.	**Finding**	The County has implemented many changes to its budget and financial practices since FY20 to better align with best practice, including implementing a new chart of accounts and a new budgeting system. Some of these changes have been difficult for CCSO to implement, which has contributed to strained relationships between CCSO and County Finance.
	Recommendation	A. We recommend CCSO prioritize efforts to align its budget and financial practices with recent County changes, including consistent use of the County's chart of accounts. B. We recommend 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. C. We recommend County leadership actively work to rebuild trust between County Finance and CCSO. This might include: ○ 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.
Cost Allocation (Objectives 1 & 2)		
4.	**Finding**	The County's updated cost allocation plan—which had not been updated since 1991—resulted in a more than $2 million increase in cost allocation charges to CCSO in FY23. Even though the County provided a one-time subsidy of $1.5 million to CCSO, this increase resulted in the method of cost allocation being perceived as unfair and illegitimate.
	Recommendation	We recommend 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.
5.	**Finding**	The intergovernmental agreement (IGA) between the County and the Enhanced Law Enforcement District (ELED) requires the County to share its cost allocation charge with the ELED by January 1 each year; however, this requirement has not been consistently followed.
	Recommendation	We recommend 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

PRELIMINARY FINDINGS AND RECOMMENDATIONS		
		ELED will be available each year. The revised IGA should be reviewed by County Counsel and approved by the Board.
Financial Practices (Objectives 3 & 4)		
6.	**Finding**	CCSO did not allocate indirect costs, including administrative overhead, to the Sheriff's Office Public Safety Levy (the Levy) or the ELED prior to FY23. Allocating indirect costs to programs is important to accurately reflect the full cost of providing services and promote equitable distribution of shared expenses across all programs.
	Recommendation	We recommend 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.
7.	**Finding**	CCSO does not generally charge operating expenses directly to the Levy or ELED. Instead, operating expenses are posted to the general fund and transferred to the Levy or ELED. This is inefficient and has resulted in the excessive use of journal entries, delayed reconciliations, and challenges in year-round financial reporting.
	Recommendation	We recommend 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. The ELED IGA should be revised as appropriate to align with these changes.
Revenue Sources (Objective 5)		
8.	**Finding**	The County and CCSO have not developed clear expenditure guidelines for either the Levy or the ELED, which makes it difficult to know whether funds from these revenue sources are being used as voters intended and contributes to strained relationships between CCSO and County Finance.
	Recommendation	We recommend 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 or by assigning specific position control numbers to the Levy and ELED), 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.

C. IMPLEMENTATION PLAN

The following is a proposed implementation plan for the recommendations made in this report. Recommendations are listed in order of priority (critical, high, medium, or low) as defined by which activities are both high impact and high urgency. All items, including those listed as low priority, will be important to execute eventually. Recommendations that are absolutely necessary to begin with are categorized as critical priority. This implementation plan should be viewed as a living document that County leadership, County Finance, and CCSO will discuss, reorganize, and adjust to create a feasible timeline.

The party listed under Primary Responsibility is the leader in coordinating activities to accomplish the line item. This party may or may not directly execute the work detailed but will be responsible for moving the work forward. Involved Parties are groups or individuals who should be informed, consulted, or responsible for elements of accomplishing the work.

#	CATEGORY	RECOMMENDATION	PRIORITY	PRIMARY RESPONSIBILITY	INVOLVED PARTIES	TIME HORIZON
Phase 1						
2A	Budget Processes	We recommend 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.	**Critical**	County Finance	County Administrator, County departments, CCSO	January – March 2024
8	Revenue Sources	We recommend 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.	**Critical**	CCSO, County Finance	County Counsel, County Administrator, the Board	January – March 2024

#	CATEGORY	RECOMMENDATION	PRIORITY	PRIMARY RESPONSIBILITY	INVOLVED PARTIES	TIME HORIZON
6	Financial Practices	We recommend 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.	**Critical**	CCSO	County Finance, County Administrator, the Board	January – March 2024
3A	Budget Processes	We recommend 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.	**Critical**	CCSO	County Finance, County Administrator	January – December 2024
Phase 2						
3C	Budget Processes	We recommend County leadership actively work to rebuild trust between County Finance and CCSO. This might include: • 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.	**High**	County Administrator, the Sheriff	County Finance, CCSO employees	Ongoing
7	Financial Practices	We recommend 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.	**High**	CCSO	County Finance	April – December 2024

#	CATEGORY	RECOMMENDATION	PRIORITY	PRIMARY RESPONSIBILITY	INVOLVED PARTIES	TIME HORIZON
4	Cost Allocation	We recommend 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.	**High**	County Finance	County Administrator	April – June 2024
Phase 3						
1	Budget Processes	We recommend County Finance clearly define roles, responsibilities, and authority for budget processes in the budget manual to reduce the likelihood of potential misunderstandings.	**Medium**	County Administrator	County Finance, County departments, CCSO	July – September 2024
3B	Budget Processes	We recommend 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.	**Medium**	County Finance	County Administrator, County departments, CCSO	July – September 2024 to establish, then ongoing
5	Cost Allocation	We recommend 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.	**Medium**	CCSO, County Finance	County Counsel, County Administrator, the Board	July – September 2024
Phase 4						
2B	Budget Process	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.	**Low**	County Finance	County departments, CCSO	September – December 2024, then ongoing

II. INTRODUCTION

A. PROJECT OVERVIEW

Introduction and Scope

The County engaged Moss Adams to conduct a performance audit of the budget and financial practices of the County and CCSO, the County's law enforcement agency responsible for providing public safety and law enforcement services in Clackamas County, Oregon. The primary purpose of the performance audit was to evaluate the extent to which CCSO was complying with County policies and procedures, as well as using the most-up-to-date governmental best practices in accounting, budgeting, and financial reporting. The audit period for this performance audit was fiscal year 2023 (FY23).

The objectives of this performance audit were to determine:

1. To what extent County financial policies and procedures adhere to best practices
2. To what extent County Finance is appropriately managing and implementing the systems of record and department requirements
3. Whether CCSO complies with existing County financial policies and procedures as it relates to cost allocation, administrative overhead, and transaction processing
4. The efficiency and effectiveness of CCSO's processes related to accounting, budgeting, and financial reporting
5. The tracking and use of revenue sources within CCSO

Background

Clackamas County is Oregon's third most populous county and serves over 400,000 residents across 1,900 square miles. The County is governed by five elected County Commissioners who set policy, adopt the annual budget, and pass ordinances under state law and is managed by a County Administrator who oversees the activities of the County's departments. The County serves its residents through a range of services, including public safety services provided by CCSO.

As stated in CCSO's Strategic Business Plan, "the mission of the Clackamas County Sheriff's Office is to provide public safety services to the people of Clackamas County so they can experience a safe and secure community." CCSO is led by an elected sheriff. Elected officials have greater autonomy than appointed department heads but ultimately each department's budget falls under the authority of the County's Board of Commissioners (the Board). County departments including CCSO must have their budgets approved by the County's Budget Committee, which consists of the Board and an equal number of residents who review and approve the departmental budgets each fiscal year.

Methodology

The performance audit consisted of four phases. Our analysis was informed by employee interviews, document review, data analysis, testing, and research into best practices.

<table>
<tr><th colspan="2">PHASE</th><th>DESCRIPTION</th></tr>
<tr><td>1.</td><td>Project Initiation and Management</td><td>This phase concentrated on comprehensive planning and project management, including identifying employees to interview, identifying documents to review, communicating results, and regularly communicating project status.</td></tr>
<tr><td>2.</td><td>Fact-Finding</td><td>This phase included interviews, document review, testing, and peer benchmarking.
Interviews: We conducted interviews with County staff within Finance and CCSO and conducted focus groups with County staff within Finance to gain insights into the current operational environment, strengths, and opportunities for improvement related to budget and finance processes.
Document Review: We reviewed a variety of documents, data, and information provided by the County and CCSO, including budget reports, performance and audit reports, and administrative policies and procedures.
Testing: We completed the following testing procedures relevant to our audit objectives:
We compared the County and CCSO’s budget and financial practices to state law (ORS Chapter 294) and best practices defined by the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB). This included evaluating budget processes and systems, as well as approaches to cost allocation and administrative overhead (Objectives 1, 2 & 3).
We evaluated CCSO's FY23 general ledger and a sample of transactions to test the efficiency and effectiveness of CCSO’s processes related to accounting, budgeting, and financial reporting, as well as their tracking and use of revenue sources (Objectives 3, 4 & 5).
We reviewed CCSO’s tracking and use of revenue sources in comparison to allowable uses and industry standards (Objective 5).</td></tr>
<tr><td>3.</td><td>Analysis</td><td>Based on the information gained during our fact-finding phase, we performed a gap analysis of current conditions and identified opportunities for improvement. Leveraging best practice information and our own experience from working with similar entities, we developed practical recommendations.</td></tr>
<tr><td>4.</td><td>Reporting</td><td>We communicated the results of our analysis with findings and recommendations presented first in a draft report that was reviewed with management to confirm the practicality and relevance of recommendations before finalizing the report.</td></tr>
</table>

B. STATEMENT OF COMPLIANCE WITH GAGAS

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

III. FINDINGS AND RECOMMENDATIONS

Findings and recommendations are grouped into four themes: budget processes, cost allocation, financial practices, and revenue sources. Our aim is to provide County and CCSO leadership with actionable information on opportunities for improvement, with recommendations intended to provide positive impacts on budget and finance outcomes. The table below shows which findings relate to each performance audit objective.

OBJECTIVE	RELATED FINDINGS
1. To what extent County financial policies and procedures adhere to best practices	1, 2, 3, 4, 5 & 8
2. To what extent County Finance is appropriately managing and implementing the systems of record and department requirements	1, 2, 3, 4, 5 & 8
3. Whether CCSO complies with existing County financial policies and procedures as it relates to cost allocation, administrative overhead, and transaction processing	3, 6, 7 & 8
4. The efficiency and effectiveness of CCSO's processes related to accounting, budgeting, and financial reporting	3, 6, 7 & 8
5. The tracking and use of revenue sources within CCSO	6, 7 & 8

A. BUDGET PROCESSES

Budget Authority, Roles, and Responsibilities

1.		
	Finding	Roles, responsibilities, and budget authority are not clearly defined in the County's budget manual. This has caused some confusion around the budget process and impacted collaboration between CCSO and County Finance.
	Recommendation	We recommend County Finance clearly define roles, responsibilities, and authority for budget processes in the budget manual to reduce the likelihood of potential misunderstandings.

County budget policies and practices are largely aligned with state law (ORS Chapter 294) and budgeting best practices. County Finance prepares a budget manual each fiscal year that outlines the budget process and timeline, defines budget principles, and provides instructions and guidance to departments to support them in preparing their budgets. While the budget manual includes many elements of best practice, the manual does not clearly define roles, responsibilities, and budget authority. This lack of clarity has contributed to confusion around authority in the budget process and impacted collaboration between CCSO and County Finance. Two key examples include:

- While noted within Clackamas County Code, the budget manual does not explicitly state the County Administrator serves as the Budget Officer for the County and its service districts or define the authority associated with this role. State law requires local governments to appoint a budget officer and Clackamas County Code appoints the County Administrator to this role. In this role, the County Administrator is responsible for preparing and submitting an annual budget to the

Board and the Budget Committee. While it should be clear to departments that the County Administrator serves as the Budget Officer, it may not be clear what this authority means, particularly as it relates to departments overseen by elected officials. Clearly documenting what falls within the County's Administrator's authority will support increased understanding and create consistency over time when department heads change.

- The budget manual does not clearly outline the roles and responsibilities of the parties involved in the budget process, such as 1) the role of the Board in setting County priorities and strategic goals and ensuring alignment of the budget with County objectives; 2) the authority of the County Administrator in developing a proposed budget for the County, including for departments overseen by elected officials, setting fiscal policies and guidelines that reflect the County's goals and objectives, and presenting the proposed budget to the Board and the Budget Committee; or 3) the role of departments in preparing detailed budget requests based on departmental needs and service requirements. Clearly documenting these roles and responsibilities will support improved understanding, consistency, and continuity over time.

A lack of defined authority over the budget process can hinder accountability and decision-making, especially when involved parties disagree on key decision points or approaches. Without clear accountability and delineation of decision-making authority, it is more difficult for decisions to be made quickly and efficiently, and disagreements are more likely to arise. Unclear roles and responsibilities can also hinder effective collaboration, as collaboration is more effective when roles are well-defined.

We recommend County Finance update the budget manual to clearly define the roles, responsibilities, and authority in the budget process. Roles and responsibilities should be clarified for all involved parties, including the Board, the County Administrator, County Finance, and County departments. The budget manual should include at least the following items related to roles and responsibilities:

- Clearly defined budget process stages such as budget development, review, approval, implementation, and monitoring
- Identification of stakeholders involved in each stage of the budget process
- Clarification of the roles and responsibilities for each involved stakeholder, such as through the development of a RACI matrix (defined below)
- Clearly defined decision-making authority throughout the process

We also recommend the County consider the use of a RACI matrix to clarify and communicate roles and responsibilities for tasks and activities within the budget process. This tool is an effective way to clarify and communicate expectations of the various stakeholders involved in a process. RACI stands for:

- **Responsible:** Those who perform the work to complete a task or activity and are responsible for execution.
- **Accountable:** Those who are ultimately answerable for the success or failure of a task or activity and have decision-making authority.
- **Consulted:** Those who are asked for their expertise or input on tasks or activities before decisions are made.
- **Informed:** Those who are updated throughout the process.

After the budget manual is updated, County Finance should share the revisions with County departments and provide training as needed to ensure roles and responsibilities are clearly understood.

Budget Procedures

2.		
	Finding	There is a lack of clearly documented guidance in some areas of the County's budget process, which resulted in inconsistencies in budgeting approaches between County Finance and CCSO in FY23.
	Recommendation	A. We recommend 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. B. 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.

As previously noted, County budget policies and practices are largely aligned with state law (ORS Chapter 294) and budgeting best practices. However, there are areas where increased documentation and clarification could be beneficial, including:

- **Indirect Service Costs:** The County's budget manual does not require departments to allocate indirect service costs, including administrative overhead, to programs. Indirect service costs include shared administrative expenses where a department, agency, or program incurs costs for support it provides to other departments, agencies, or programs, such as costs associated with legal, finance, human resources, facilities, maintenance, or technology.[1] GFOA recommends local governments allocate indirect service costs to allow for a more accurate allocation of expenses to different cost centers or activities. The County charges indirect service costs to departments, but at least one County department—CCSO—did not charge indirect service costs to programs prior to FY23 (see also CCSO Indirect Cost Allocation). Other County departments may also not have charged indirect service costs to programs, but they were outside of the scope of this audit. While it is important for departments to align their budget and financial practices with best practices, a County policy in this area would be helpful to explicitly require this practice for departments and provide consistency and standardization across all County departments. Without clearly documented policies and procedures, different departments might interpret and implement best practices inconsistently, which can lead to variations in efficiency and effectiveness. Given this, the County should explicitly mandate this requirement in its budget manual.
- **Accounting for Vacancies:** The County's budget manual does not provide clear guidance on how to account for vacancies in budget preparation. It is important to address vacancies in a government budget since not all positions will be filled all year. GFOA best practices note governments can fully fund salaries associated with vacancies to build cushion into their budget, but that it may be prudent to include a hiring lag in the budget based on historical hiring trends. Regardless of which approach is followed, GFOA best practices recommend governments develop policies on how to treat vacancies to provide clarity on their approach. Without clear policies on accounting for vacancies, departments may account for vacancies differently, leading

[1] GFOA, Indirect Cost Allocation

to inconsistent budget development and a lack of transparency about how budgets are developed across departments.

Incomplete documented guidance in these areas contributed to inconsistencies in budgeting approaches between County Finance and CCSO in FY23. It has also contributed to disagreements between the two parties and strained relationships.

We recommend County Finance develop and document clearly defined guidance related to allocating indirect service costs to programs and accounting for vacancies in budget development. Once the guidance has been documented, it should be shared with departments through multiple channels, such as through email and training sessions, to promote a common understanding of the revised processes and expectations. Regular and open communication should be established as departments implement these revised budget processes to foster a collaborative environment.

Moving forward, it may also be prudent for County Finance to consider enhancing its methods for regularly collecting input from departments on issues or areas of the budget process that are unclear, to support continuous improvement. This will also help County Finance understand whether challenges – such as those noted in this report – exist across multiple departments or are specific to an individual department. One potential method is to administer an annual survey after the budget process to collect feedback from departments on their experience and to gain insights into prevalent challenges and areas that may require more explicit guidance and extra support.

Change Management

3.	**Finding**	The County has implemented many changes to its budget and financial practices since FY20 to better align with best practice, including implementing a new chart of accounts and a new budgeting system. Some of these changes have been difficult for CCSO to implement, which has contributed to strained relationships between CCSO and County Finance.
	Recommendation	A. We recommend CCSO prioritize efforts to align its budget and financial practices with recent County changes, including consistent use of the County's chart of accounts. B. We recommend 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. C. We recommend County leadership actively work to rebuild trust between County Finance and CCSO. This might include: • 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.

County Finance has commendably implemented many changes to its budget and financial practices since FY20 to better align with best practice, including the following key changes:

- **FY20:** County Finance implemented a new budget system—OpenGov—which is an industry standard budgeting software designed to support collaborative budgeting processes.
- **FY20:** County Finance developed a new chart of accounts, which facilitates more accurate financial reporting and allows for consistent categorization and presentation of financial data.
- **FY21:** County Finance began creating training videos and procedure documents for the annual budget process.
- **FY22:** County Finance incorporated the new chart of accounts into the County's budget for the first time.
- **FY23:** County Finance hired a cost allocation consultant to assist with the preparation of a revised cost allocation plan for FY24.
- **FY24:** County Finance partially implemented the revised cost allocation plan for the FY24 budget.
- **FY24:** County Finance developed and implemented a period close process.

These changes represent critical improvements that were necessary to enhance the County's budget and financial practices. However, some of these changes have been difficult for CCSO to implement. CCSO reported challenges implementing the County's new OpenGov system fully due to a lack of integration between the County's systems. CCSO reported they worked with County Finance to resolve some of these issues, including improving the ability to allocate and track budgeted funds at an appropriate level of detail to support CCSO operations. Additionally, CCSO has also not consistently used the County's chart of accounts. Based on a review of CCSO's FY23 general ledger, some personnel expenses are coded as materials and services expenses. Also, while CCSO's FY24 budget included the County's revised cost allocation requirements, the increase of these charges resulted in significant disagreements between County Finance and CCSO in budget discussions.

Difficulty implementing these changes likely stemmed from a variety of reasons. Several changes were implemented over a relatively short amount of time and were impactful to CCSO's operations, such as the change to the County's cost allocation (see also County Cost Allocation). Given the impact the cost allocation revision had on department budgets, there may have been opportunities to implement these changes more effectively with more lead time. Additionally, CCSO's capacity to spend time improving its processes and adopting changes is reportedly limited, which may be a result of limited staff capacity and some of CCSO's existing processes being time-consuming and inefficient (see also CCSO Process Efficiency).

Despite these challenges, we recommend CCSO prioritize efforts to align its budget and financial practices with the recent changes implemented by County Finance, including consistent use of the County's chart of accounts. CCSO should work closely with County Finance to prioritize key improvements and County Finance should provide support as needed. Additionally, moving forward, we recommend County Finance and County leadership engage in deliberate change management processes and County leadership should aim to rebuild trust between County Finance and CCSO.

Managing Change

To improve full adoption of changes moving forward, we recommend 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. To improve implementation, adoption, and buy-in, the County should establish a standardized change management process for organizational changes. Wherever possible, departments and employees should be engaged prior to announcing new changes to define the problem, provide input on potential concerns, and provide suggestions to improve implementation. Often, departments and employees facing change experience fear and worry; therefore, a robust change management approach should emphasize the human side of change to promote employee adoption. By acknowledging their feelings and concerns, leadership can demonstrate its support of employees throughout the County, which improves overall change management. The following are key elements for implementing successful change management:

- **Actively align County and department leadership:** The first element of change management is defining the problem and the purpose of making the change. This should be well-defined and understood throughout the County. After the decision to make a change—whether it occurs primarily at the County or departmental level—has been made, the County's primary responsibility is to ensure there is alignment across all departments. Although a change may not result in significant improvements for every department, this presents an opportunity to exercise County-wide thinking and consider the impact of the change on other facets of the County. Without alignment and commitment, any change management initiative is likely to fail.
- **Communicate the need for change:** Excellent communication is critical to change management. Affected departments and employees should be aware of the business need for change and buy into potential solutions. County leadership should build awareness around the County's needs and the risk of remaining with the status quo. Where appropriate, impacted stakeholders should be involved in defining initiative requirements and the design process. Project sponsors should ensure clear and open lines of communication throughout the change management process and advocate for two-way dialogue to provide answers and reassure impacted stakeholders.
- **Plan for and understand the ramifications of the change:** Clearly identify what is changing, how it is changing, who will be affected, how users will be affected, and when the change will occur. Change should occur in a multi-step, well-communicated process that includes ample training and no surprises to departments and their staff. Key communication messages should be developed and disseminated to ensure all staff are aware of progress towards implementation and are reminded of personal benefits they can expect to derive from the new system or process. Depending on the nature of the change, the County may also need to plan for negative ramifications of the change that impact employee morale and provide consistent messaging and support throughout change adoption.
- **Consider and design a method for staff education:** Throughout implementation, build staff knowledge and abilities through training opportunities. Following implementation, provide reinforcement and allow employees to provide feedback on the change and change process, making minor adjustments where necessary. Ensure consistent adoption by providing policies, procedures, and performance measures that reflect the change and can serve as staff resources.

To increase the County's capacity for effective change management, we also recommend County leadership consider providing change management and communication training to all County and department leadership. This can increase individual knowledge and capacity to manage change, as well as providing the leadership team with a commonly understood language to identify, discuss, and strategize around change management challenges.

Rebuilding Trust

As a part of this work, we recommend County leadership actively work to rebuild trust between County Finance and CCSO. This may include facilitating open and transparent communication between the two parties by creating a space for openly expressing concerns, sharing perspectives, and identifying pain points. We also recommend County Finance and CCSO work to foster a culture of collaboration and trust with an emphasis on the shared goal of effective financial management and service delivery. County staff report that a neutral facilitator has been included in conversations in the past, but has not yielded improved relationships. When necessary, this practice can continue to be incorporated to help navigate discussions between County Finance and CCSO as the two parties work toward revised budget and financial practices. ICMA's article Communicating Effectively with Elected Officials provides a list of strategies for building effective communication based on survey and focus group responses. These practices can help in rebuilding trust between the County and CCSO but require effort and open communication from both sides. An overview of ICMA's recommendations is below:

- **Always make time.** It is crucial to invest time in the relationship between the County and CCSO. The time devoted to fostering a robust relationship is an investment that yields valuable information and insights and fosters open channels of communication. This commitment of time not only signifies the mutual recognition of the pivotal roles each party plays but also underscores the significance of a collaborative and interconnected partnership.
- **Develop a clear understanding of expectations regarding communication.** It's impossible to be an effective communicator if one does not fully understand the other party's expectations—especially as expectations may vary between individuals. The County and CCSO should develop a clear, shared understanding of communication expectations to support enhanced collaboration.
- **Adjust communication techniques to the needs of individuals.** It's likely one will encounter a variety of preferences and expectations regarding communication. Communication preferences can vary in several ways, including by frequency and method (i.e., verbally, in writing, etc.). While these different preferences offer challenges, it's much easier to navigate when one is clear on the best approach. An aspect of the shared understanding the County and CCSO's communication expectations should include preferred amount and method of communication.
- **Establish a "floor" of information that you make available to all.** While it may be necessary to tailor communications to individual preferences, it's also important to establish a minimum amount of information (the "floor") that needs to be provided to all relevant parties.
- **Be particularly sensitive to how and when "bad news" is communicated.** Navigating the delivery of bad news is difficult. However, these are the most critical times to communicate clearly, accurately, and quickly. Hesitation in reporting bad news can lead to undue delay in communicating or a lack of clarity in the message. A key component of open and honest communication is the timely and clear delivery of all essential information, regardless of whether it is good or bad.
- **Communicate consistently with all relevant parties.** Consistency in messaging with all relevant parties is critical. While it may be tempting to align or agree with whomever you're speaking with at the moment, varying your message or appearing to take different positions with different parties will create inconsistent messaging and impair credibility. Both the County and CCSO should maintain consistent communication and messaging to whichever department or individual they are communicating with.
- **Reestablish communication expectations whenever personnel changes.** Personnel changes, even if minor, can significantly impact dynamics, expectations, and communication preferences. Furthermore, these factors may evolve over time, independent of personnel changes. Therefore, it is crucial to periodically reconnect with relevant parties and individuals to ensure an updated understanding of the current dynamics and preferences.

- **Encourage and promote effective communication among all parties and individuals.** Encouraging and supporting strong communication among all parties and individuals, as well as being clear on why communication is so crucial, can positively impact relationships across the organization.

B. COST ALLOCATION

County Cost Allocation

4.		
	Finding	The County's updated cost allocation plan—which had not been updated since 1991—resulted in a more than $2 million increase in cost allocation charges to CCSO in FY23. Even though the County provided a one-time subsidy of $1.5 million to CCSO, this increase resulted in the method of cost allocation being perceived as unfair and illegitimate.
	Recommendation	We recommend 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.

In FY23, the County hired a consultant to conduct a comprehensive review and update of its cost allocation plan. The County's cost allocation plan details how the County's indirect costs are distributed across County departments. The plan had not been reviewed or revised since 1991. While the County's new cost allocation plan is aligned with best practices, the review resulted in significant updates to the County's plan, including a more than $2 million increase in cost allocation charges to CCSO. While the County provided a one-time subsidy of $1.5 million to CCSO to minimize the impact initially, the significant increase in costs was perceived as unreasonable by CCSO. The introduction of these changes faced challenges and resulted in a public dispute, further straining the relationship between the County and CCSO and limiting effective implementation of the new plan.

GFOA best practices recommend cost allocation plans are reviewed at least annually to account for changes, such economic factors or organizational structures. GFOA also notes it is important for cost allocation plans to be perceived as fair and legitimate by users of internal services. Because the cost allocation plan was not regularly reviewed and modified, significant cost increases went into place when the County's cost allocation structure was eventually reviewed. Regular annual reviews are more likely to result in incremental changes, which are easier for departments to accommodate and anticipate. In addition, applying recognized best practices will help support the County's accountability, transparency, and overall financial management.

To further legitimize its approach to cost allocation, we recommend County Finance develop a clearly defined cost allocation policy that aligns with best practices. At a minimum, the policy should define the purpose of cost allocation charges, establish guidelines for calculating costs and setting rates, and require annual review of the County's cost allocation plan to support accuracy and incremental adjustments over time. Such a policy would support transparency around the County's cost allocation plan and make it easier for departments to navigate cost allocation changes. It would also more proactively facilitate trust in department relationships. Once developed, the policy should be shared with departments and made available in a centralized location for employees to easily reference.

Intergovernmental Agreement Compliance

5.	**Finding**	The intergovernmental agreement (IGA) between the County and the Enhanced Law Enforcement District (ELED) requires the County to share its cost allocation charge with the ELED by January 1 each year; however, this requirement has not been consistently followed.
	Recommendation	We recommend 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.

The Clackamas County Enhanced Law Enforcement District (ELED) was approved by voters in November 1994. The ELED provides law enforcement services to the unincorporated areas of the County. The ELED is governed by an Intergovernmental Agreement (IGA) between the County and the ELED, which details the services the County provides to the ELED. The IGA states the ELED will pay for County services through the County's cost allocation plan process. A requirement of the IGA is that the County provide its cost allocation charge with the ELED by January 1 each year; however, this requirement has not always been consistently followed. County staff reported this requirement was based on historical budgeting practices when budgets were developed based on estimates rather than actuals, and that the requirement is not practical based on improved budgeting practices to develop budgets based on prior year actuals.

Given this, we recommend CCSO and County Finance work together to revise the IGA to better align with current practice and realistic expectations of when the cost allocation amount will be available each year. Consideration should be given to providing the allocation amount timely enough to provide CCSO enough time to develop the ELED budget by the required deadline. Changes to the IGA should be reviewed by County Counsel and approved by the Board.

C. FINANCIAL PROCESSES

CCSO Indirect Cost Allocation

6.	**Finding**	CCSO did not allocate indirect costs, including administrative overhead, to the Sheriff's Office Public Safety (the Levy) or the ELED prior to FY23. Allocating indirect costs to programs is important to accurately reflect the full cost of providing services and promote equitable distribution of shared expenses across all programs.
	Recommendation	We recommend 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.

While CCSO allocates County issued indirect costs, CCSO did not allocate their own indirect costs, including administrative overhead, to the Sheriff's Office Public Safety Levy (the Levy) or ELED prior to FY23. Allocating indirect service costs is considered a best practice. Indirect costs are expenses that are not directly tied to a specific product, service, or activity, and administrative overhead costs are the specific indirect costs associated with managing and operating the administrative functions for an organization. CCSO's administrative overhead costs include, at a minimum, costs associated with executive level oversight (e.g., the Sheriff), finance, operational support, professional standards, and the public information office, all of which provide benefit to the Levy and the ELED. Allocating indirect costs is a fundamental financial practice that supports accurate cost representation, fair resource distribution, effective budgeting, and compliance with financial best practices. County Finance included an indirect service charge in the budgets for the ELED and the Levy in FY23. While CCSO disagreed with this approach in FY23 budget discussions, CCSO is now moving forward with developing an indirect cost allocation plan for future years.

CCSO should continue efforts to develop an indirect cost allocation plan to ensure equitable distribution of shared expenses across all of its programs and services, including the Levy, ELED, and the contracted cities it supports.[2] The process of allocating indirect costs typically involves assigning a portion of these shared expenses to specific cost centers based on an equitable and predetermined method. This allocation is typically done to reflect the fair share of indirect costs associated with each department's or program's use of shared resources. GFOA best practices recommend that shared costs are allocated systematically and rationally, and the method of allocation, along with a reference to information on the methodology, should be disclosed. An indirect cost allocation plan typically includes:

- **Identification of Indirect Costs.** CCSO should determine all of its indirect costs. Unlike direct costs, which are traced to a specific product, service, or project, indirect costs are incurred for the benefit of multiple services. Common indirect costs are administrative overhead, facility costs, fleet maintenance, insurance, or shared personnel costs.
- **Allocation Bases or Factors.** CCSO should define the criteria or factors used to allocate indirect costs to specific cost centers. Common allocation bases include square footage, employee head count, usage levels, or other relevant metrics that reflect the utilization of shared resources.
- **Allocation Methodologies.** CCSO should specify the methods used to distribute indirect costs. This may involve using a direct allocation method, step-down method, or other methodologies based on the organization's preferences and circumstances.
- **Documentation Guidelines.** CCSO should establish guidelines for documenting the entire allocation process. This documentation ensures transparency, accountability, and compliance with auditing requirements.
- **Allocation Schedule.** A schedule outlining when and how indirect costs will be allocated should be developed. This schedule may align with the County's fiscal year.
- **Review and Adjustment Procedures.** CCSO should establish procedures for regularly reviewing and adjusting the indirect cost allocation plan. This ensures that the plan remains relevant and responsive to changes in organizational structures, services, or resource utilization.

This plan should be reviewed by County Finance and approved by the County Administrator before implementation. The ELED's cost allocation plan should also be approved by the Board in accordance with IGA requirements.

---

[2] CCSO provides contracted public safety services to the cities of Estacada, Happy Valley, and Wilsonville.

CCSO Process Efficiency

7.		
	Finding	CCSO does not generally charge operating expenses directly to the Levy or ELED. Instead, operating expenses are posted to the general fund and transferred to the Levy or ELED. This is inefficient and has resulted in the excessive use of journal entries, delayed reconciliations, and challenges in year-round financial reporting.
	Recommendation	We recommend 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. The ELED IGA should be revised as appropriate to align with these changes.

CCSO does not generally charge operating expenses, such as personnel and materials and services expenses, directly to the Levy or the ELED. Instead, operating expenses are posted to the general fund and transferred to the Levy or ELED using journal entries. This has resulted in CCSO processing a high volume of journal entries to move expenses to the correct account. This process is inefficient and has cascading impacts on the timeliness and effectiveness of CCSO's budget monitoring and financial practices.

While CCSO's use of journal entries is an important practice to properly record financial transactions, the excessive use of journal entries is time consuming for CCSO and County Finance, as they require time to compile, review, approve, and process the entry. Additionally, the increased need for manual entry and correction associated with journal entries introduces an increased risk of errors in financial records, which would take additional time and effort to resolve. A high-volume of journal entries also introduces complexity into financial records and makes it difficult to trace and understand individual transactions. Based on our review of CCSO's FY23 general ledger and financial transactions, this practice contributed to the difficulty of understanding CCSO's financial records, a common concern cited by County Finance in discussions for the FY24 budget.

This process has also resulted in untimely reconciliations, another common concern cited by County Finance. Given the high volume of journal entries necessary, reconciliations are often delayed, which causes challenges in year-round financial reporting and makes it difficult to ensure financial statements are accurate and can be used for regular and up-to-date decision-making. The process can also delay grant reconciliations. Timely grant reconciliations are important for monitoring compliance with grant terms, as well as reporting requirements.

Given the impacts of this process inefficiency, we recommend 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 initially flowing through the general fund. Direct allocation of charges to specific funds will improve visibility into how funds are being used. These improvements will require close coordination between CCSO and County Finance to ensure systems and processes are closely aligned. As payroll expenses make up most of CCSO's operating expenses, CCSO should initially prioritize improving this process for payroll expenses.

D. REVENUE SOURCES

Revenue Sources

8.		
	Finding	The County and CCSO have not developed clear expenditure guidelines for either the Levy or the ELED, which makes it difficult to know whether funds from these revenue sources are being used as voters intended and contributes to strained relationships between CCSO and County Finance.
	Recommendation	We recommend 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 or by assigning specific position control numbers to the Levy and ELED), 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.

CCSO's main funding sources include the general fund, as well as tax revenue from the ELED and the Levy. ELED was approved by voters in 1994 to enhance patrol services within the unincorporated areas of the County. The ELED has a permanent tax rate of $0.7198 per thousand assessed value and is used to assess taxes on properties lying within ELED boundaries. The Levy was established in aspiration of providing financial backing for supplementary activities beyond the scope of the County's general fund or ELED. This was made possible through a local option tax initially endorsed by voters in November 2006 and subsequently renewed in 2011 and 2016.

Neither the County or CCSO have developed clear expenditure guidelines for either the Levy or the ELED. The lack of clear guidelines has created uncertainty regarding whether these special revenue funds are being used appropriately. There are very limited expenditure guidelines for the ELED. The ELED intergovernmental agreement, which governs the ELED, states the purpose of the ELED is to provide patrol services to the unincorporated areas of the County, but does not otherwise state how the funds will be used, such as for what specific services or personnel. The Levy ballot language provides more detailed expenditure guidelines and states the Levy will be used to fund numerous personnel, including 34 patrol deputies, five detectives, 36 jail deputies, and two internal affairs investigators, as well as to implement a body-worn camera program and maintain funding for a specialized drug enforcement team. However, while these guidelines are clearer than the guidelines for the ELED, there are still opportunities to enhance them to make it clearer what administrative overhead costs should be included in Levy personnel costs. Typically, personnel costs should be fully burdened to account for all associated costs incurred for personnel beyond just salaries and wages. Fully burdened personnel rates provide a more comprehensive and accurate reflection of the true cost of employing individuals within an organization. The lack of clear expenditure guidelines for the ELED and the Levy contributed to disagreements and contention in discussions for the FY24 budget between County Finance and CCSO.

County Finance and CCSO also disagreed on how public safety vacancies should be handled in FY24 budget discussions. While CCSO reportedly assigns specific positions to the general fund, ELED, and the Levy, CCSO's philosophy was that vacancies in the general fund should be filled first, followed by positions in the ELED and the Levy. This approach results in most vacancy savings being realized in the ELED and the Levy as opposed to the general fund. County Finance disagreed with this approach. Ultimately, this represents a policy decision and therefore the County should establish clear expenditure guidelines to determine and formally document the approach that should be used moving forward.

We recommend CCSO and County Finance work together to develop clear expenditure guidelines for the Levy and the ELED. Typically, expenditure guidelines include at least the following:

- A clearly defined purpose for the use of the tax revenue and the outcomes the tax is intended to achieve
- Clearly defined allowable uses of the tax revenue, including a clear delineation of the various categories where funds can be directed
- Prohibited uses of the tax revenue
- Guidance on how much funding should be allocated within each category
- A process for contingency planning to enable the County to address any unexpected situations or emergencies that arise
- A methodology for prioritizing the use of funds in case of a budget shortfall
- Standards for transparency and accountability, as well as a commitment to public reporting on the use of the funds

The County's guidelines should also specify what costs are included in fully burdened personnel costs and define how vacancies will be handled across the CCSO's funds (e.g., filled in a particular order). The guidelines should be reviewed by County Counsel. The guidelines should also be approved by the Board and reflected in the intergovernmental agreement between the ELED and the County. and approved by the Board. They should also be regularly reviewed and updated to reflect changes in County needs, priorities, and funding levels and proactively shared with the community to increase transparency around expenditures.