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Date: September 28, 2023

To: Gary Schmidt, County Administrator

Copied: Clackamas County Board of County Commissioners
Sheriff Angela Brandenburg
Elizabeth Comfort, Finance Director
Clackamas County Internal Audit Oversight Committee

From: Jodi Cochran, County Internal Auditor

Subject: FY23-24 Budget Committee Advisory Motion – Assessment of root causes and recommended next steps

Results summary

In recognition of differing opinions and perspectives presented during the fiscal year 2023-2024 Budget Committee meetings, the Budget Committee passed an advisory motion. The Budget Committee's May 24, 2023, budget advisory motion¹ is general and broad in nature. The motion's language indicates a desire to acquire a clear understanding and reconciliation of data and testimony presented by the Sheriff's Office. The fiscal year 2023-2024 budget process demonstrated a lack of clarity and consistency with regard to the requested Clackamas County fiscal year 2023-2024 budget and its impact on the Clackamas County Sheriff's Office's operations. The motion addresses the Budget Committee's concern with the cohesiveness and adequacy of the financial systems and financial teams supporting the county and the Sheriff's Office. The Budget Committee's actions and issued advisory motion points to a reduced level of assurance and trust in the financial details supporting the county's budget development, as it relates to the Sheriff's Office. While the Budget Committee's advisory motion specifically identified the Sheriff's Office financial systems as a focus of review, interviews with the Budget Committee members and other stakeholders,

¹ Budget Committee May 24, 2023, advisory motion: "To initiate a full financial performance audit of the financial systems of the Sheriff's Office and bring in a mediator to get going on this process."

including the county's and Sheriff's Office's financial teams, described broader areas of concern.

The lack of alignment – in the processes and in the information – was a common theme during our interviews and review of the fiscal year 2023-2024 budget process. Our initial assessment suggests four main root causes:

- ❖ Documented and implemented internal controls
- ❖ Documented data governance standards and rule-based processes
- ❖ Workflow management and accountability
- ❖ Systems and resources

Several of the themes and underlying issues recognized during our assessment of the fiscal year 2023-2024 budget process were also identified in two prior consultant studies contracted for by the county in 2018 and 2019. The November 2018 [Government Finance Officers Association's \(GFOA\) "Finance Business Process Assessment" report](#) and the 2019 [HRPMO's "Clackamas County Finance Needs Assessment" report](#) both recommended significant process improvements. Both highlighted the change management challenges the county would face in implementing revised business processes – primarily in shifting from a siloed, autonomous organization to a more cohesive enterprise.

Shifting from a siloed, autonomous organization to a more cohesive culture poses change management challenges when implementing revised business processes.

In response to the 2018 and 2019 reports, the Finance department has completed key process improvement projects. While some of the recommendations made in the 2018 and 2019 reports have been implemented, additional efforts and process improvements are needed to fully address the issues identified at that time and which continue today. All of the county's internal services and operational departments and offices will benefit from the county's continued, collaborative focus on:

- ✓ Enhanced inter-organizational communications
- ✓ Consistent internal service business processes and documented policies and procedures
- ✓ Coordinated organizational culture and demonstrated transparency
- ✓ Clearly defined authority and role of internal service departments and operational departments and offices²

Without defined and communicated authority, roles, processes or policies, setting expectations for outcomes is difficult, supporting stakeholder ability to meet

² Government Finance Officers Association, September 2018 Clackamas County, OR Organizational Assessment – Finance report

expectations is challenged and transparently holding stakeholders accountable becomes almost impossible.³

Our assessment of the root causes leading to the May 2023 Budget Committee advisory motion has resulted in seven recommendations for management’s consideration. We believe taking these actions will address key root causes which contributed to the lack of alignment and differing perspectives noted during the fiscal year 2023-2024 budget process. Once these business process issues are resolved, additional data gathering and process improvement efforts, specifically focusing on financial systems and practices, may prove to be more effective and provide greater value to the county, the Sheriff’s Office and the county’s budget process.

“Without defined processes or policies, setting expectations for outcomes is difficult and holding stakeholders accountable becomes almost impossible.” – GFOA Finance Business Process Assessment report, November 2018

The recommendations are narrowly focused and respond to specific areas of concern highlighted during the fiscal year 2023-2024 budget process. Details are provided in [Attachment D](#). We recommend the County Administrator, through the Finance department and in collaboration with the Sheriff’s Office and other departments and offices:

- ✓ **Clarify** and document in countywide policy the roles, authority, and responsibilities of county offices and departments for budget development and monthly financial transactions and closing processes.
- ✓ **Clarify** and document Enhanced Law Enforcement District (ELED) legal restrictions and allowable uses.
- ✓ **Clarify** and document Public Safety Levy legal restrictions and allowable uses.
- ✓ **Develop**, document, and communicate definitions, methodologies, and expectations for cost allocation, administrative overhead, program recovery, vacancy savings, etc.
- ✓ **Document** current state process workflows, data sources, primary and subsidiary system applications, and reports for the budget process and monthly financial transactions and closing processes. Identify internal control gaps and inefficiencies.
- ✓ **Provide** and communicate timely, complete, and accurate static financial monthly reports through fully implemented month-end closes.
- ✓ **Review** the two external consulting reports – 2018 Government Finance Officers Association’s “Organizational Assessment” and 2019 HRPMO Inc’s “Finance Needs Assessment” – for relevant observations and recommendations.

³ Based on comments within Government Finance Officers Association in conjunction with County Finance, November 2018 Clackamas County “Finance Business Process Assessment Report”, page 11

Pursuing an independent, external resource to document and conduct a current state workflow analysis of the annual budget and monthly reporting processes, engaging the Sheriff's Office along with other county departments and offices, should be prioritized.

These recommendations are offered in an advisory role in response to your request for independent feedback. Detailed recommendations are presented in the attached Recommendations Table ([Attachment D](#)).

Background and scope of work

Why the Office of County Internal Audit offered and is providing advisory services

On June 22, 2023, the Clackamas County Board of County Commissioners formally adopted the fiscal year 2023-2024 budget for the county's general operations, and the service districts overseen by the Board of County Commissioners. During the fiscal year 2023-2024 Clackamas County budget hearings, the Budget Committee addressed a need for additional information and clarity in supporting the budget process. During the May 24, 2023, Budget Committee meeting, an advisory motion was passed "to initiate a full financial performance audit of the financial systems of the Sheriff's Office and bring in a mediator to get going on this process." In your role as both the County Administrator and County Budget Officer, you suggested the [Office of County Internal Audit](#) could provide value through advice and counsel; "I recommend we ask our Internal Auditor first. What her recommendation is. Whether that is a function of her office."

The Office of County Internal Audit is an independent county resource established in [County Code Chapter 2.15: County Internal Auditor](#). Its mission is to enhance and protect Clackamas County's organizational value by providing risk-based and objective assurance, advice, and insight. The Office of County Internal Audit operates with independence and objectivity: independence meaning freedom from undue influence and objectivity meaning impartial, unbiased attitudes. The Office of County Internal Audit resources are allocated through a systematic, risk-based approach, addressing areas of county government which are, by nature, high priority activities with high-risk potential. In addition to high-risk engagements, the Office allocates a portion of its resources to proactive, independent advisory services. These advisory services may, at times, address lower-risk county activities.

As the County Internal Auditor, I strive to:

- ❖ Support continuous improvement of the county's governance, risk management, and control processes through collaborative, advisory services.
- ❖ Promote accountability through transparent communication and informative results.

After reviewing the fiscal year 2023-2024 budget hearings materials and videos, and briefly visiting with each County Commissioner, Sheriff Brandenburg, the county Finance team, and you, I acknowledged that there was an opportunity for clarity and a common understanding of the information developed and discussed during the fiscal year 2023-2024 budget process. As communicated in an email to the Clackamas County Commissioners, Sheriff Brandenburg, the Clackamas County Budget Committee members and you, I offered the following advisory services to address the Budget Committee's request.

As an independent resource, the Office of County Internal Audit offered to:

- Conduct individual interviews with all Budget Committee members, the Clackamas County Sheriff, the County Administrator, any team members requested by these primary stakeholders, and any team members determined necessary and appropriate by the County Internal Auditor.
- Identify and summarize the areas of concern, requests for clarity and desired outcomes expressed by all interviewed stakeholders.
- Analyze interview results and propose to all primary stakeholders next step strategies to achieve greater transparent communication and accountability.
- With the collective support of the primary stakeholders, facilitate the implementation of initial strategies with Office of County Internal Audit resources, either existing internal or contracted external resources.

The planned timeline for these activities was as follows:

- Interviews scheduled and conducted – July 2023 & August 2023
- Data collected, summarized, and analyzed – July 2023 & August 2023
- Proposed next steps provided to the Board of County Commissioners, the Clackamas County Sheriff, and the County Administrator – September 2023
- Facilitate next steps – September 2023

Considering the Budget Committee's request, this strategy was proposed to support the independent and objective scoping and design of a potential audit or formal engagement, if such an activity was to be pursued by the county and its leadership.

Observations

Summary of interviews – Common themes and concerns

In our conversations with 21 different individuals through 14 interviews held to further understand areas of concern related to, but not limited to, the budget motion, several common themes and concerns were noted. The four most common concerns were the potential or perceived:

- ✓ lack of alignment,
- ✓ lack of cooperation,
- ✓ need for clarity on standards, and

provided to the Finance department in the development of timely and complete monthly financial reports.

Existence of different systems

Confusion about the financial systems used countywide and within departments and offices led to concerns of duplication of effort, wasted resources, and inaccurate results. While PeopleSoft is the county's primary financial system, more than one subsidiary financial system exists to support day-to-day actions, such as Excel and other operational applications, within departments and offices. There is limited clarity on the level of integration between PeopleSoft and these subsidiary financial systems.

Root causes

Observations noted during the interviews suggest operational disagreements between the Finance department and the Sheriff's Office. While improvements have been made over the years, further review and analysis suggest the concerns may stem from four remaining areas of root cause:

- Internal controls
- Data governance and rule-based processing
- Workflow management
- Systems and resources

Prior assessments – Similar themes and root causes

Several years ago, the county identified the potential for organizational enhancement and business process improvement within its Finance department. The county contracted with the [Government Finance Officers Association](#) (GFOA) in 2018 for high-level organizational assessment and in 2019 for a more detailed financial business process analysis through [HRPMO](#).

Government Finance Officers Association's Organizational Assessment

The Government Finance Officers Association is a professional association representing state, provincial, and local government finance officers in the United States and Canada. The association provides professional support to its members including identifying "specific policies and procedures that contribute to improved government management."⁴

The Government Finance Officers Association's "Organizational Assessment – Finance" report identified five areas of major issue and improvement:

- Inter-Organizational Communications
- Business Processes & Documented Policies and Procedures
- Organizational Culture and Transparency

⁴ GFOA, Best Practices website <https://www.gfoa.org/best-practices>

- Lack of Clearly Defined Role of Finance
- Technology

Among the specific recommendations made by the Government Finance Officers Association in its “Plan of Action” report were:

- ✓ Develop financial policies
- ✓ Adopt a monthly financial close process
- ✓ Re-design the chart of accounts
- ✓ Review existing procedures regarding internal service charges
- ✓ Review and document purchasing approvals

Quotes from the Government Finance Officers Association reports include:

“The Department of Finance has a defined mission statement on the county’s website, although there are many undefined roles, duties, tasks and responsibilities that are necessary to support financial management of the county...Because of undefined roles and responsibilities, there is evident contention between Finance and most departments.”

“GFOA recommends County Administration, in partnership with Finance and other departments, clearly define, document and communicate Finance’s role, services that are needed by departments, and finance-related responsibilities of Finance and county operating departments. Direction from County Administration will help to clarify the undefined roles and help minimize areas where ambiguity results in tasks not being performed or performed by the appropriate parties.”⁵

“The vast majority of the county’s financial policies and procedures are not documented. The Procurement and Grants units are updating or starting to develop and document policies and procedures. However, too many processes remain informal or inconsistent among departments and agencies. Without defined processes or policies, setting expectations for outcomes is difficult and holding stakeholders accountable becomes almost impossible. As a result, finance staff and service departments often spend a considerable amount of time on redundant processing or inefficient re-processing, compromising the integrity of financial data.”⁶

HRPMO Finance Business Process Analysis

HRPMO, Inc. is a consulting firm which “provides operational assessments, business analysis, technical gap analysis and project management for transformation initiatives.”⁷

⁵ Government Finance Officers Association, September 2018 Clackamas County, OR “Organizational Assessment – Finance” report, pages 15 - 16

⁶ Government Finance Officers Association in conjuncture with County Finance, November 2018 Clackamas County “Finance Business Process Assessment Report”, page 11 – Note: Report is an executive summary “prepared by County Finance combining key concepts from the GFOA reports with additional analysis compiled by County Finance.”

⁷ HRPMO LinkedIn profile <https://www.linkedin.com/company/hrpmoinc/>

The HRPMO “Finance Needs Assessment” report offered 11 strategic recommendations and 120 operational recommendations within ten identified root cause areas of concern:

- System of Record
- Data Governance
- Integration
- Automation
- Program Management
- Business Processes
- Decentralization
- Workforce Sophistication
- Security
- Internal Controls

Among the strategic recommendations made by HRPMO were:

- ✓ Define the role and authority of Finance. Build a vision of an integrated organization.
- ✓ Design and implement a change management framework in Finance using cross functional process improvement teams. Work consistently across functional borders to respect various stakeholders’ needs but drive toward a comprehensive integrated framework.
- ✓ Develop comprehensive Finance Administrative Policies and Procedures and standardize and enforce governance of those policies and procedures.
- ✓ Design the Chart of Accounts to achieve data integrity and produce relevant, reliable and replicable data and reporting.
- ✓ Design monthly closing and reconciliation schedules to reinforce accountability and new processes – working within organizational constraints imposed by need – to improve data integrity and reduce reconciliation processes.
- ✓ Engage in change management and training to support stakeholders throughout the county in the transformation project.

Quotes from the HRPMO report include:

“The county has been operating on a fragmented, decentralized structure for decades while the legislative structure has become more and more tightly controlled and centralized in State and Federal legislation that requires validation and reporting. Today, the two paradigms are almost 180 degrees apart creating excessive manual work to manage data and translate between them.”⁸

“It is important to identify the root causes because they are embedded in the culture of an organization. Root causes begin as logical compromises or shortcuts, but eventually become the way business decisions are made. If an

⁸ HRPMO “Finance Needs Assessment Project Report”, August 2019, page 13

organization has reached a point where change is necessary – and the root causes are not addressed – they will replicate inefficiencies into the new system through redesigned processes that don't really change the process or behavior that continues to rely on the legacy process.”⁹

Finance business process evolution

The Finance Business Process timeline ([Attachment B](#)) depicts the evolution of the Clackamas County Finance department and some of its key accomplishments in the last five years, including many activities which directly respond to the observations of both the Government Finance Officers Association and the HRPMO reports. The Finance department, among other activities, has:

- Enhanced inter-departmental communications with monthly newsletters and a Finance Liaison Group – July 2020
- Implemented a new Chart of Accounts – July 2021
- Employed OpenGov software to enhance budgeting, forecasting, and reporting transparency – July 2021
- Revised internal service charges methodology – July 2023
- Developed and published 10 new Finance policies – 2020 to July 2023
- Established monthly financial close process – August 2023

Future projects enhancing accounts receivable and billing, customer and supplier contracts, and payroll processes are included on the department’s “Projects Timeline: 3 Year Plan,” currently identifying projects into fiscal year 2024-2025 and beyond.¹⁰

As noted by HRPMO, unresolved root causes can be barriers to long-term process improvements. While enhancing specific business processes, key strategies can be used to ensure long-term sustainability and impact. Among the relevant HRPMO strategic recommendations to be considered and incorporated into Finance’s implementation strategy as the department continues along its Projects Timeline are:

- ✓ Define the role and authority of Finance. Build a vision of an integrated organization.
- ✓ Design and implement a change management framework in Finance using cross functional process improvement teams. Work consistently across functional borders to respect various stakeholders’ needs but drive toward a comprehensive integrated framework.
- ✓ Develop comprehensive Finance Administrative Policies and Procedures and standardize and enforce governance of those policies and procedures.
- ✓ Engage in change management and training to support stakeholders throughout the county in the transformation project.

⁹ HRPMO “Finance Needs Assessment Project Report”, August 2019, page 26

¹⁰ Clackamas County’s Finance department intranet site, <https://web1.clackamas.us/projects/chart-accounts-coa-project>

Continuing with these efforts, the county will be able to address root causes which contributed to the May 24, 2023, Budget Committee advisory motion. If recommendations and activities to further address concerns with alignment between the county and the Sheriff’s Office were to be implemented prior to resolving these underlying issues, the areas of concern and disagreements noted during the fiscal year 2023-2024 budget committee meeting and deliberations are likely to replicate and be noted in other financial or business processes, and the lack of cohesiveness will remain apparent.

Recommendations

The attached Recommendations Table ([Attachment D](#)):

- summarizes our observations,
- links all observations to potential root causes,
- connects our observations with observations and recommendations from prior external assessments, and
- recommends next steps in response to the May 24, 2023, Budget Committee advisory motion.

As depicted in the Recommendations Timeline ([Attachment C](#)), we believe taking these actions will address key root causes which contributed to the lack of alignment and differing perspectives noted during the fiscal year 2023-2024 budget process. Once these business process issues are resolved, additional data gathering and process improvement efforts, specifically focusing on financial practices, may prove to be more effective and provide greater value to county, the Sheriff’s Office and the county’s budget process.

Such future activities may:

- Enhance accountability by developing and implementing process measures to address key process controls (i.e., processing time, number of entries, number of correcting entries, timeliness and completeness of monthly and annual entries).

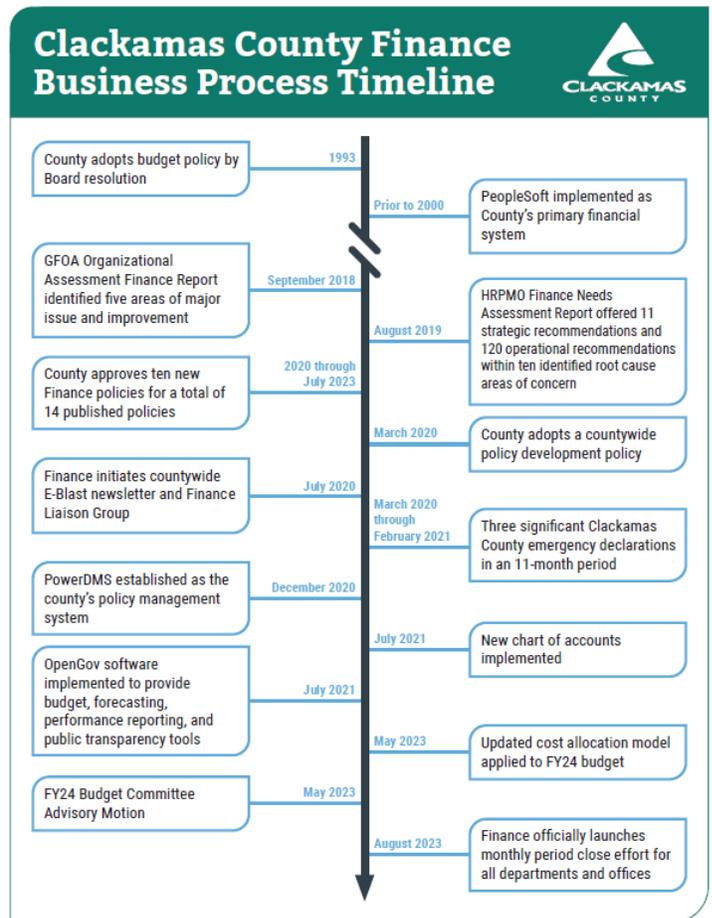


Figure 2 General Clackamas County Finance Business Process Timeline - Developed by the Office of County Internal Audit based on observations; See Attachment B

- Enhance effectiveness and efficiency by expanding process flow analyses to other financial and countywide operational processes.
- Enhance transparency by conducting new or updated financial condition analyses.

Communication and next steps

As the County Administrator and Budget Officer, you are receiving this management letter and are responsible for any formal response to these advisory engagement results. The Board of County Commissioners, Sheriff Brandenburg and Finance Director Elizabeth Comfort are copied on this document. In accordance with professional auditing standards, the Clackamas County Internal Audit Oversight Committee will also receive a copy of the management letter.

Supporting the County’s focus on building public trust through good government and of the Office of County Internal Audit’s focus transparency and accountability, this management letter may be published on the Clackamas County Office of County Internal Audit webpage. All formally submitted management responses to the recommendations made will be included with any published material.

I am happy to address questions regarding the advisory engagement process and results.

The Office of County Internal Audit appreciates the opportunity to support our county teams through independent assurance and advisory services. Proactively identifying steps to streamline processes, strengthen controls, and mitigate risks significantly enhances our ability to achieve our objectives. Through transparent assessment, county residents, public officials and stakeholders are provided objective assurance the county is acting as a good steward of public funds.

Together, we demonstrate our Clackamas SPIRIT, build trust through good government, and strive for a collaborative county culture committed to continuous improvement.

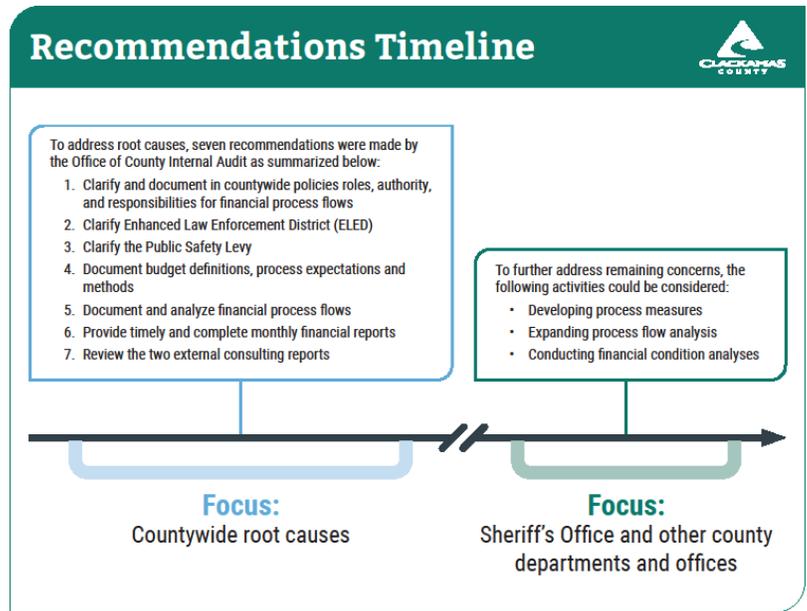


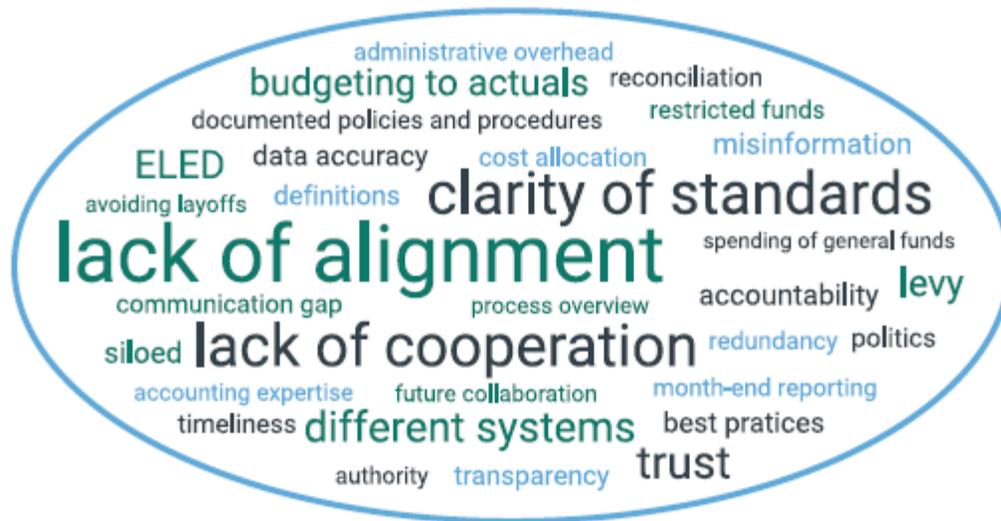
Figure 3 Proposed recommendation implementation timeline. Figure generated by the Office of County Internal Audit. See Attachment C.

FY23-24 Budget Committee Advisory Motion Observations & Analysis



During the May 24, 2023, Clackamas County Budget Committee meeting, an advisory motion was passed to better understand the Sheriff's Office's financial environment. In response, the Office of County Internal Audit offered seven recommendations as a result of independent observations and analysis.

Observations



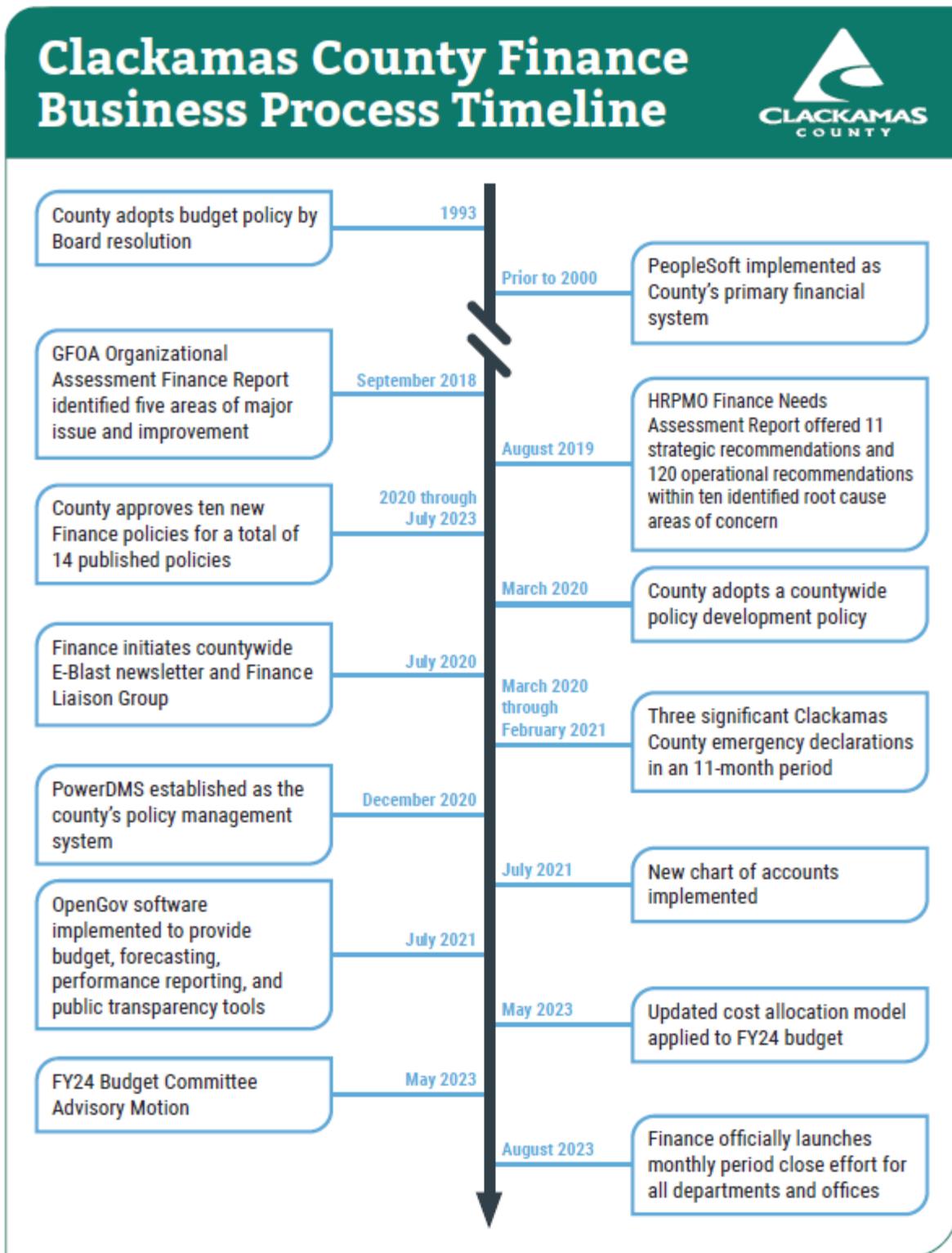
“ Without defined processes or policies, setting expectations for outcomes is difficult and holding stakeholders accountable becomes almost impossible.
Source: GFOA Finance Business Process Assessment Report, November 2018 ”

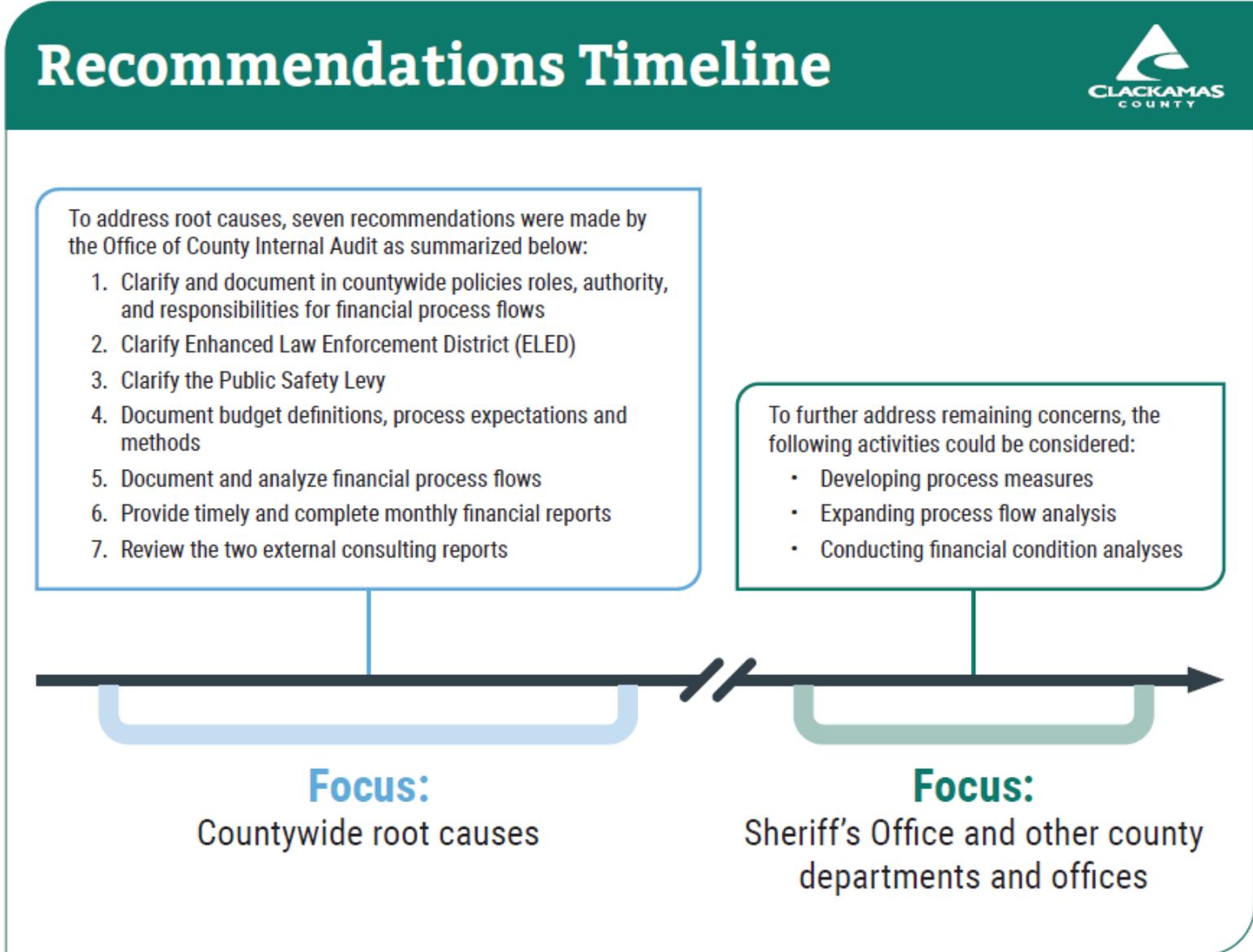
Root Causes

- Internal Controls
- Data Governance & Rule-Based Processing
- Workflow Management
- Systems & Resources

Recommendations

- Clarify roles & responsibilities
- Clarify ELED
- Clarify Levy
- Document budget expectations
- Document and analyze process flows
- Provide timely and complete monthly financial reports
- Review external consulting reports





Attachment D – Recommendations Table

BUDGET COMMITTEE ADVISORY MOTION – RECOMMENDATIONS FOR IMPROVEMENT				
#	Recommendation	Observations	Prior Assessments	
			2018 GFOA	2019 HRP MO
1	<p>Clarify and document in countywide policies the roles, authority, and responsibilities of county offices and departments for budget development and monthly financial transactions and closing processes.</p> <ul style="list-style-type: none"> ➤ Root Cause Category: Internal Controls – Financial Policies and Procedures ➤ Responsible Resource: Finance Department 	<p>County Code 2.09.060(F)(3) establishes the County Administrator’s authority to “serve as the Budget Officer for the county and its service districts” and to “administer the provisions of the budget as adopted by the Board.”</p> <p>The Clackamas County Sheriff’s Office policy manual published in the Sheriff’s Office policy directory, PowerDMS, contains Policy #10, Budget. This policy states:</p> <ul style="list-style-type: none"> • “Annually the Sheriff’s Office receives direction from the County Budget Officer in the form of overall county budget priorities as well as amounts to budget for personnel costs for existing positions, allocated cost amounts and general fund support levels.” • The CCSO Administration and Finance Section “shall establish procedures, which are compliant with the County’s Budgeting and Financial accounting requirements and policies...” <p>The Finance department has 14 policies published via the county’s policy directory, PowerDMS: one budget policy, FIN-1.102 Debt Management Policy (July 21, 2022), and one financial/GL/reporting policy, FIN-1.205 Capital Asset Policy (June 30, 2022).</p> <p>The county Finance and Budget intranet sites provide process documents and resources to support engagement with both functions.</p>	X	X

BUDGET COMMITTEE ADVISORY MOTION – RECOMMENDATIONS FOR IMPROVEMENT

#	Recommendation	Observations	Prior Assessments	
			2018 GFOA	2019 HRP MO
		By establishing clear policies which bridge county code and county process documents and by strengthening communication channels and pathways, the county would institutionalize good financial management practices, clarify strategic intent, and define responsibilities and boundaries.		
	<p>a. For the budget process:</p> <p>i. Develop, document, and communicate budget standards and clear process expectations. Revisit budget policies adopted by Board resolution in 1993/2004 and update to reflect current philosophy and practice.</p> <p>➤ Responsible Resource: Finance Department</p> <p>ii. Consistently implement budget processes in alignment with expectations.</p> <p>➤ Responsible Resource: Sheriff's Office / Operating Departments & Offices</p> <p>iii. Consistently hold departments and offices accountable for performance in alignment with expectations.</p> <p>➤ Responsible Resource: Finance Department</p>	<p>The fiscal year 2023-2024 budget manual, posted February 02, 2023, provides process guidance and includes four policy documents:</p> <ul style="list-style-type: none"> • A general Budget Policy narrative describing the budget policies adopted by Board resolution in 1993, 1996, 2004 and 2012. Note: The document includes an old Debt Issuance and Management Policy dated November 7, 1996. A newer Debt Management policy, FIN-1.102, dated July 21, 2022, is published in the county's PowerDMS policy directory. • Two Board resolutions supporting the 1996 Debt Issuance policy and the 2012 Reserve and Contingency policy included in the budget manual. • The county's Cost Recovery policy, FIN-1.100, dated June 1, 2020, and presented in the new countywide policy format. <p>The Clackamas County PowerDMS policy software and the Finance intranet site provide access to one budget policy, FIN-1.102 Debt Management, July 21, 2022.</p>	X	X

BUDGET COMMITTEE ADVISORY MOTION – RECOMMENDATIONS FOR IMPROVEMENT

#	Recommendation	Observations	Prior Assessments	
			2018 GFOA	2019 HRP MO
		<p>The fiscal year 2023-2024 budget manual provides detailed process guidance and support. It addresses the essential features of the budget development process and form. It includes a list of principles that guide budgetary decision making. One of the Budget Principles states, “Departments must seek to maximize revenue to reduce the need for General Fund Support.” The manual does provide guidance addressing cost allocations and position vacancies. Department administrative overhead is not directly addressed in the budget manual.</p> <p>The manual does not state whether or not the term “department” refers to the offices of elected officials. When referring to Budget Committee presentations, the manual states, “Elected officials will present their department’s budget presentation before the Budget Committee.”</p> <p>By establishing a clear budget governance policy that identifies the budget manual as the approved guidance and the Finance department as the authority to establish and enforce the budget manual, the county would institutionalize good financial management practices, clarify strategic intent, and define responsibilities and boundaries.</p> <p>Such established governance will support process implementation and solidify the ability to hold participants accountable for process compliance.</p>		

BUDGET COMMITTEE ADVISORY MOTION – RECOMMENDATIONS FOR IMPROVEMENT

#	Recommendation	Observations	Prior Assessments	
			2018 GFOA	2019 HRP MO
	<p>b. For the monthly financial transactions and closing processes:</p> <ul style="list-style-type: none"> i. Develop, document, and communicate financial transaction and month-end standards and clear process expectations. <ul style="list-style-type: none"> ➤ Responsible Resource: Finance Department ii. Consistently implement financial transaction and month-end processes in alignment with expectations. <ul style="list-style-type: none"> ➤ Responsible Resource: Sheriff's Office / Operating Departments & Offices iii. Consistently hold departments and offices accountable for performance in alignment with expectations. <ul style="list-style-type: none"> ➤ Responsible Resource: Finance Department 	<p>The county Finance intranet site provides process documents and resources to support aspects of monthly financial transactions and closing processes. These "guides, instructions and procedures" serve as training "How To" materials. Additionally, materials and videos from Finance Q&A presentations for various processes are available for viewing, as well as Finance Liaison Group meeting materials.</p> <p>Process workflow diagrams, addressing various financial processes including general ledger transactions, are posted on the Finance intranet site on its Central Finance Business Process Analysis page. These diagrams were created in 2018 to support the process analysis project which led to both the GFOA and the HRP MO reports. These process workflow diagrams have not been updated.</p> <p>By creating a monthly financial transaction and closing process manual, or a "Process Manual" document similar to the budget manual, clear performance expectations will be communicated to participants and the Finance department's ability to enforce the processing standards will be enhanced.</p> <p>By establishing a clear financial transaction and reporting governance policy that identifies the "Process Manual" as the approved guidance and the Finance department as the authority to establish and enforce the "Process Manual," the county would institutionalize good financial management practices, clarify strategic intent, and define responsibilities and boundaries.</p>	X	X

BUDGET COMMITTEE ADVISORY MOTION – RECOMMENDATIONS FOR IMPROVEMENT

#	Recommendation	Observations	Prior Assessments	
			2018 GFOA	2019 HRP MO
2	<p>Clarify and document Enhanced Law Enforcement District (ELED) legal restrictions and allowable uses.</p> <ul style="list-style-type: none"> ➤ Root Cause Category: Data Governance & Rule-based Processing a. Clarify and document the allowable cost allocation of administrative overhead for both the county and Sheriff's Office. <ul style="list-style-type: none"> ➤ Responsible Resource: County Counsel or external contracted resource b. Define and document methodology for allowable cost allocation of administrative overhead for both the county and Sheriff's Office. <ul style="list-style-type: none"> ➤ Responsible Resource: Finance Department 	<p>The Clackamas County Enhanced Law Enforcement District (ELED) was approved by voters on November 8, 1994. Clackamas County Board Order #94-1320 was signed on December 21, 1994, creating the district to “provide enhanced law enforcement services by contract with the Clackamas County Sheriff.”</p> <p>The five Clackamas County Commissioners serve as the district’s governing body. The governing body is supported by an advisory board established by Board Order #95-433 in 1995.</p> <p>County Code 2.09.060(F)(3) establishes the County Administrator’s authority to “serve as the Budget Officer for the county and its service districts” and to “administer the provisions of the budget as adopted by the Board.”</p>	NA	NA

BUDGET COMMITTEE ADVISORY MOTION – RECOMMENDATIONS FOR IMPROVEMENT

#	Recommendation	Observations	Prior Assessments	
			2018 GFOA	2019 HRP MO
3	<p>Clarify and document Public Safety Levy legal restrictions and allowable uses.</p> <ul style="list-style-type: none"> ➤ Root Cause Category: Data Governance & Rule-based Processing <p>a. Clarify and document the allowable cost allocation of administrative overhead for both the county and Sheriff's Office.</p> <ul style="list-style-type: none"> ➤ Responsible Resource: County Counsel or external contracted resource <p>b. Define and document methodology for allowable cost allocation of administrative overhead for both the county and Sheriff's Office.</p> <ul style="list-style-type: none"> ➤ Responsible Resource: Finance Department <p>c. Clarify the legal restrictions on levy lifecycle, specifically fund balances.</p> <ul style="list-style-type: none"> ➤ Responsible Resource: County Counsel or external contracted resource <p>d. Define and document authority and responsibilities to determine methodology and strategy of levy spending.</p> <ul style="list-style-type: none"> ➤ Responsible Resource: Finance Department 	<p>Clackamas County voters approved the first Clackamas County Public Safety Local Option Levy in 2006, reapproving levies in 2011 and 2016.</p> <p>On May 18, 2021, Ballot Measure 3-566, <u>Five-Year County Sheriff Public Safety Local Option Levy</u>, was passed by voters. The passed Public Safety Levy replaced the 2016 expiring levy and is limited to a five-year fiscal period from 2022 to 2027.</p> <p>According to the voters' pamphlet explanatory statement: "The levy is limited to the five-year fiscal period from 2022 through 2027. Future renewals of this levy would not occur without voter approval. The money raised by this measure must be used exclusively for the law enforcement purposes stated in this Ballot Title."</p>	NA	NA

BUDGET COMMITTEE ADVISORY MOTION – RECOMMENDATIONS FOR IMPROVEMENT

#	Recommendation	Observations	Prior Assessments	
			2018 GFOA	2019 HRP MO
4	<p>Develop, document, and communicate definitions, methodologies, and expectations for cost allocation, administrative overhead, program recovery, vacancy savings, etc. Enhance the budget manual with a definitions section addressing key terms and roles.</p> <ul style="list-style-type: none"> ➤ Root Cause Category: Data Governance & Rule-based Processing <p>a. Consistently implement methodologies in alignment with expectations for departments and offices.</p> <ul style="list-style-type: none"> ➤ Responsible Resource: Sheriff's Office / Operating Departments & Offices <p>b. Consistently hold departments and offices accountable for performance in alignment with expectations.</p> <ul style="list-style-type: none"> ➤ Responsible Resource: Finance Department 	<p>The fiscal year 2023-2024 budget manual provides detailed process guidance and support. It addresses the essential features of the budget development process and form. It includes a list of principles that guide budgetary decision making. One of the Budget Principles states, "Departments must seek to maximize revenue to reduce the need for General Fund Support." The manual does provide guidance addressing cost allocations and position vacancies. Department administrative overhead is not directly addressed in the budget manual.</p> <p>The manual does not state whether or not the term "department" refers to the offices of elected officials. With regard to budget committee presentations, the manual states, "Elected officials will present their department's budget presentation before the Budget Committee."</p> <p>By establishing a clear budget governance policy that identifies the budget manual as the approved guidance and the Finance department as the authority to establish and enforce the budget manual, the county would institutionalize good financial management practices, clarify strategic intent, and define responsibilities and boundaries.</p> <p>Such established governance will support process implementation and solidify the ability to hold participants accountable for process compliance.</p>	NA	X

BUDGET COMMITTEE ADVISORY MOTION – RECOMMENDATIONS FOR IMPROVEMENT

#	Recommendation	Observations	Prior Assessments	
			2018 GFOA	2019 HRP MO
5	<p>Document current state process workflows, data sources, primary and subsidiary system applications, and reports for the budget process and monthly financial transactions and closing processes. Identify internal control gaps and inefficiencies.</p> <ul style="list-style-type: none"> ➤ Root Cause Category: Workflow Management and Accountability ➤ Responsible Resource: Independent, external contracted resource – working with Finance, the Sheriff’s Office and additional county departments and offices – Recommend engagement be facilitated by the Office of County Internal Audit to ensure independent effort. 	<p>Process workflow diagrams, addressing various financial processes including general ledger transactions and budget, are posted on the Finance intranet site on its Central Finance Business Process Analysis page. These diagrams were created in 2018 to support the process analysis project which led to both the GFOA and the HRP MO reports. These process workflow diagrams have not been updated.</p> <p>Documenting and analyzing the budget processes and monthly financial transaction and closing processes – as they function today – will help the county:</p> <ul style="list-style-type: none"> • Improve quality, • Eliminate waste, • Minimize cost, • Reduce time, and • Improve service. <p>The results of an independent assessment and facilitated business process workflow analyses will clarify what work is being done, how the work is being done, and where the gaps are between current and desired state. Clearly identifying the primary and subsidiary financial systems and supporting processes would validate accuracy and completeness of county financial data. This will inform the county’s ongoing business process and policy design efforts.</p>	X	X

BUDGET COMMITTEE ADVISORY MOTION – RECOMMENDATIONS FOR IMPROVEMENT

#	Recommendation	Observations	Prior Assessments	
			2018 GFOA	2019 HRP MO
6	<p>As a result of fully implemented month-end closing, provide and communicate timely, complete and accurate static monthly financial reports.</p> <ul style="list-style-type: none"> ➤ Root Cause Category: Workflow Management and Accountability a. Provide division-level details. <ul style="list-style-type: none"> ➤ Responsible Resource: Finance Department b. Provide budget-to-actual comparisons. <ul style="list-style-type: none"> ➤ Responsible Resource: Finance Department c. Analyze significant variances between budget and actuals <ul style="list-style-type: none"> ➤ Responsible Resource: Sheriff's Office / Operating Departments & Offices 	<p>The Finance Project Timeline provides an overview of the department's 3-year plan and defines key projects. As projects evolve, timelines are adjusted and revised.</p> <p>The Finance Project Timeline presented on February 24, 2021, identified the "New Monthly Financial Report" project with tentative start and completion targets of January 2021 and September 2021, respectively. This original project proposal was adjusted. The current Timeline, updated May 17, 2023, includes the "Accounting Period Close" project, shown as beginning in January 2023 and tentatively concluding in December 2024.</p> <p>In August 2023, Finance expressed its gratitude to county departments and offices for supporting the "Period Close" project and celebrating the countywide effort to achieve the July 2023 period close.</p> <p>Fully implementing the monthly financial reporting process will help embed the county's changing financial management approach within the county's culture. Monthly reports create accessible data and the opportunity for collaborative data integrity controls – frequently reviewing the data for timeliness and accuracy. Aligning financial practices with the county's financial management approach will enhance overall decision-making and service delivery.</p>	X	X

BUDGET COMMITTEE ADVISORY MOTION – RECOMMENDATIONS FOR IMPROVEMENT

#	Recommendation	Observations	Prior Assessments	
			2018 GFOA	2019 HRP MO
7	<p>Review the two external consulting reports - 2018 Government Finance Officers Association’s “Organizational Assessment” and 2019 HRP MO Inc.’s “Finance Needs Assessment” report – for relevant observations and recommendations.</p> <ul style="list-style-type: none"> ➤ Root Cause Category: Workflow Management ➤ Responsible Resource: Finance Department <p>a. Establish status of all recommendations from both reports.</p> <p>b. Implement applicable outstanding recommendations.</p>	<p>The county contracted with the Government Finance Officers Association (GFOA) in 2018 for a high-level organizational assessment and in 2019 a more detailed financial business process analysis through HRP MO, Inc.</p> <p>The Government Finance Officers Association’s “Organizational Assessment – Finance” report identified five areas of major issue and improvement and made recommendations within its “Plan of Action” report.</p> <p>The HRP MO “Finance Needs Assessment” report offered 11 strategic recommendations and 120 operational recommendations within ten identified root cause areas of concern.</p> <p>In the last five years, the Finance department has implemented activities which directly respond to the observations of both the Government Finance Officers Association and the HRP MO reports. The Finance department, among other activities, has:</p> <ul style="list-style-type: none"> • enhanced inter-departmental communications with monthly newsletters and a Finance Liaison Group. • implemented a new Chart of Accounts. • employed OpenGov software to enhance budgeting, forecasting, and reporting transparency. • revised internal service charges methodology. 	NA	NA

BUDGET COMMITTEE ADVISORY MOTION – RECOMMENDATIONS FOR IMPROVEMENT

#	Recommendation	Observations	Prior Assessments	
			2018 GFOA	2019 HRP MO
		<ul style="list-style-type: none"> established monthly financial close process. developed and published ten new Finance policies. <p>Future projects enhancing accounts receivable and billing, customer and supplier contracts, and payroll processes are included on the department’s “Projects Timeline: 3 Year Plan.” The timeline documents potential process improvement projects into fiscal year 2024-2025 and beyond.</p> <p>Reviewing the status and relevancy of these 2018 and 2019 business process assessment reports will:</p> <ul style="list-style-type: none"> add value to current Finance projects by ensuring project scopes address previously identified improvement opportunities. maximize the impact of the assessment reports by holding the county accountable to its process improvement commitment. 		
			X - Similar observation / recommendation noted in final report	