



Jodi Cochran  
County Internal Auditor

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**Date:** June 30, 2022  
**To:** Gary Schmidt, District Administrator of the North Clackamas Parks and Recreation District  
**From:** Jodi Cochran, County Internal Auditor  
**Subject:** County Internal Audit consulting engagement: North Clackamas Parks and Recreation District Governance – Management Letter

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Thank you for the opportunity to support Clackamas County through professional, independent and objective audit services designed to add value and enhance transparency. Based on your formal request received on January 11, 2022, the Office of County Internal Audit conducted an evaluation of the North Clackamas Parks and Recreation District governance structure.

### **Executive Summary**

The governing structures of the North Clackamas Parks and Recreation District adequately support the District's ability to provide public services. No evidence of deliberate unethical or fraudulent activity was noted as a result of the audit procedures performed.

Three recommendations for corrective actions addressing Local Contract Review Board Rule noncompliance risks are provided. An additional seven general recommendations, identifying sixteen specific continuous improvement opportunities for the North Clackamas Parks and Recreation District, are offered for consideration. Detailed recommendations are presented in the attached Recommendations Table.

This management letter presents an overview and the results of this evaluation.

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## **Summary of Results**

The governing structures of the North Clackamas Parks and Recreation District adequately support the District's ability to provide public services. No evidence of deliberate unethical or fraudulent activity was noted as a result of the audit procedures performed.

The North Clackamas Parks and Recreation District is one of nine other boards the Clackamas County Board of County Commissioners serves as. The past lack of distinct processes and clarity between the separate governing roles of the Clackamas County Board of County Commissioners and the governing bodies of associated Clackamas County districts and authorities has led to potential noncompliance with Oregon Public Meetings law and the North Clackamas Parks and Recreation District Local Contract Review Board Rules.

Corrective actions taken within the last 18 months by the District team have significantly reduced the risk of Public Meetings Law noncompliance for the North Clackamas Parks and Recreation District Board of Directors.

Three recommendations for [corrective actions](#) addressing Local Contract Review Board Rule noncompliance risks are provided.

- Ensure only employees with delegated signing authority execute North Clackamas Parks and Recreation District contracts and amendments.
- Ratify the active contracts and agreements approved by the Board of County Commissioners on behalf of the North Clackamas Parks and Recreation District Board of Directors.
- Establish an Intergovernmental Agreement between the North Clackamas Parks and Recreation District and the County clarifying the District's fiscal obligations with regard to the County's administration of the Oak Lodge Library and the Gladstone Library and Community Center projects.

Seven general recommendations, identifying sixteen [continuous improvement](#) opportunities within the North Clackamas Parks and Recreation District, are offered for consideration.

- ✓ Maintain recently established Public Notice procedures and standards.
- ✓ Maintain recently implemented Clackamas County Board of County Commissioners meeting protocols and practices.
- ✓ Enhance the North Clackamas Parks and Recreation District Public Meetings and Financial Information internet sites.
- ✓ Enhance North Clackamas Parks and Recreation District Board of Directors meeting access, accountability and public transparency.
- ✓ Maintain recently implemented Clackamas County Board of County Commissioners Consent Agenda protocols and practices.
- ✓ Leverage established contracting processes to enhance financial controls and training for other contractual forms (intergovernmental agreements, etc.).
- ✓ Ensure established, ongoing North Clackamas Parks and Recreation District vendor relationships comply with Procurement guidelines.

Detailed recommendations are presented in the attached [Recommendations Table](#).

### **Communication Protocols**

As the North Clackamas Parks and Recreation District Administrator, you are receiving this management letter and are responsible for any formal response to the engagement results. The North Clackamas Parks and Recreation Board of Directors and the District Director 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 on cultivating a culture of cooperation and continuous improvement, this management letter may be published on the Clackamas County Office of County Internal Audit webpage with the agreement of District Administration. All North Clackamas Parks and Recreation District management responses received will be included with any published management letter.

### **Next Steps**

While no formal management responses are required for County Internal Audit consulting engagements, you are encouraged to take the recommended corrective actions and to consider developing strategies to implement the recommendations made for continuous improvement.

Recommendations resulting from consulting engagements are not automatically considered during routine County Internal Audit monitoring and reporting activities. If you would like the Office of County Internal Audit to assist with monitoring your intended responses, please provide formal written responses to the recommendations by August 1, 2022. Each response should indicate whether you agree or disagree with the recommendation. Additionally, if in agreement, each response should indicate:

- ✓ What action will be / has been taken.
- ✓ Who will be / was responsible for implementation.
- ✓ When will / was the action completed.

On an annual basis, if not more frequently, the Office of County Internal Audit reviews and provides assessments of management's progress toward stated goals and implementation of recommended actions. The 2022 County Internal Audit monitoring activities are scheduled to start in November 2022.

### **Objectives**

The engagement results provide the North Clackamas Parks and Recreation District's Board of Directors and administration and the public an independent assessment of the District's ability to:

- comply with the Oregon Public Records and Meeting Laws.
- comply with the Oregon Local Contract Review Board rules.
- provide effective and efficient public services.

By providing an independent assessment of the North Clackamas Parks and Recreation District governance, the Office of County Internal Audit strives to add organizational value and support our collaborative efforts to achieve both the North Clackamas Parks and Recreation District

Board of Directors' mission "to enrich community vitality and promote healthy living through parks and recreation"<sup>1</sup> and the Board of County Commissioners' strategic plan. Ensure safe, healthy and secure communities; honor, utilize, promote and invest in our natural resources; and build trust through good government<sup>2</sup> are three county strategic priorities directly supported by this engagement.

The general objectives for the North Clackamas Parks and Recreation District governance consulting engagement were to:

- independently assess the governance structure supporting the North Clackamas Parks and Recreation District.
- independently assess compliance with Oregon Public Records and Meetings Laws.
- independently assess the North Clackamas Parks and Recreation District's ability to comply with Local Contract Review Board rules.
- identify opportunities for enhanced effectiveness and efficacy in public service delivery.
- advocate for continuous improvement through observations and recommendations.
- create transparency for the District and the County.

The Office of County Internal Audit's 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 strives to provide services to the public, employees, offices and departments of Clackamas County so they can feel that the public's interests are protected and can engage with an accountable, high performing, and transparent local government.

### **Scope**

The scope of this engagement assessed the North Clackamas Parks and Recreation District's governing structure and the District's Board of Directors and District Advisory Committee activities during the five-year period from January 2017 to May 2022. Due to engagement timing delays and to recognize ongoing North Clackamas Parks and Recreation District process enhancements, the review period was extended from the original December 2021 timeframe.

### **Methodology**

To achieve engagement objectives, the Office of County Internal Audit:

- reviewed Oregon Revised Statutes: chapters 192 – Public Records, 198 – Special Districts Generally, 279A – Public Contracting – General Provisions; the Oregon Administrative Rules: Chapter 125 – Public Contracting Divisions 246 to 249, Chapter 165 – Special District Elections Division 20; and the Special District Board Member Handbook and other Special Districts Association of Oregon guidance.
- reviewed the North Clackamas Parks and Recreation District webpage and provided documents, including past public meeting materials and notices for both the District Advisory Committee and the District Board of Directors, as well as documented District policies and procedures addressing Board of Directors interactions and protocols.

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<sup>1</sup> North Clackamas Parks and Recreation District webpage [District Information](#)

<sup>2</sup> Clackamas County webpage [Performance Clackamas](#)

- reviewed the Clackamas County Board of Commissioners webpage and provided documents, including past public meeting materials and notices which may reflect activity conducted on behalf of the North Clackamas Parks and Recreation District.
- reviewed and analyzed financial reports of North Clackamas Parks and Recreation District expenditures and contracting activity, as well as additional documentation identified through research activities.

I am happy to address questions regarding this North Clackamas Parks and Recreation District governance consulting engagement process and results. Please contact me at [JCochran@Clackamas.us](mailto:JCochran@Clackamas.us).

The Office of County Internal Audit appreciates the opportunity to support our county teams through independent assurance and consulting services. Proactively identifying steps to streamline processes, strengthen controls, and mitigate risks significantly enhances our ability to achieve our objectives. Through early assessment and evaluation, District residents, public officials and stakeholders can be assured of the North Clackamas Parks and Recreation District's ability to provide "exceptional parks and recreation programs, facilities and services<sup>3</sup>."

I greatly enjoy working with you, the North Clackamas Parks and Recreation District team members and the entire Clackamas community as we, together, demonstrate our Clackamas SPIRIT, build trust through good government, and celebrate One County.

Best regards,



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

Copy:

North Clackamas Parks and Recreation District Board of Directors  
Director Tootie Smith, Chair  
Director Martha Schrader, Vice-Chair  
Director Sonya Fischer  
Director Paul Savas  
Director Mark Shull

Michael Bork, North Clackamas Parks and Recreation District Director  
Clackamas County Internal Audit Oversight Committee

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<sup>3</sup> North Clackamas Parks and Recreation District webpage [District Information](#)

Clackamas County  
Office of County Internal Audit  
NCPRD Governance, Consulting Project #2022-02  
**Recommendations for Corrective Action and Continuous Improvement**

	Recommendation	Observation
<p><b>Corrective Action</b></p> <p>1</p>	<p>Ensure only employees with delegated signing authority execute North Clackamas Parks and Recreation District contracts and amendments.</p> <p>If further delegation of the North Clackamas Parks and Recreation District signing authority to the District Director is desired, the Local Contract Review Board Rules should be revised by the Board of County Commissioners to address the North Clackamas Parks and Recreation District signing authority, or additional express written authority should be obtained from the Board of County Commissioners and the North Clackamas Parks and Recreation District Board of Directors.</p>	<p>On three separate occasions during the review period of 1/1/2017 to 5/17/2022, the Director of NCPRD executed contract amendments without delegated signing authority.</p> <ul style="list-style-type: none"> <li>➤ 9/2019 – NCPRD Director signed the TFT Construction contract amendments #1 and #2 for the aquatic park parking lot paving project.</li> <li>➤ 11/9/2021 – NCPRD Director signed the 2.ink.Studio contract amendment #4 for the Milwaukie Bay Park project.</li> </ul> <p>C-050-0100(2)(b) of the Local Contract Review Board Rules lists the director and deputy director of the majority of the County departments as positions with delegated signing authority. By Rule, only those listed positions have delegated authority – not all department directors or deputy directors.</p> <p>Per County Policy ARA-FIN-3.10, Delegated Budget Authority, in accordance with Oregon Budget Law, budget authority is the responsibility of the department director or elected official and may be delegated by the department director or elected official. Budget authority may be set at one of three pre-approved limits: \$5,000, \$50,000, or \$150,000. The County practice of annually delegating this authority is common and familiar to all departments.</p> <p>A potential lack of clarity regarding the distinctions, both between delegated budget and signing authorities and the specific positions identified within the Local Contract Review Board Rules, may have led to the NCPRD Director’s mistaken authority.</p> <p>No evidence of additional express written authority from the Board was noted during the engagement review.</p>

	Recommendation	Observation
2	<p>Ratify active contracts and agreements approved by the Board of County Commissioners on behalf of the District Board. The contracts identified requiring NCPRD Board approval are with:</p> <ul style="list-style-type: none"> <li>➤ <u>Enviser, Inc</u> for \$779,892 in aquatic equipment maintenance services, expiring on June 30, 2022, with 3-year extension option.</li> <li>➤ <u>ICON</u> for a \$235,000 software license, expiring December 31, 2028.</li> <li>➤ <u>Metro</u> for \$30,000 in GIS services, expiring June 30, 2024.</li> <li>➤ <u>Clackamas Broadband Exchange</u> for a \$12,240 annual Internet agreement, extending “until terminated.”</li> <li>➤ <u>Clackamas Water Environment Services</u> to provide \$90,000 annually in natural area maintenance services, expiring June 30, 2025, with a 5-year extension option.</li> </ul>	<p>Of the 90 NCPRD Board approved contracts identified during the review period (1/1/2017-5/17/2022), 60 were approved without convening the NCPRD Board of Directors. All 60 identified contracts were executed prior to January 2021.</p> <p>Five contracts approved without convening the NCPRD Board of Directors remain active.</p>
3	<p>Establish an Intergovernmental Agreement between the North Clackamas Parks and Recreation District and the County clarifying the District’s fiscal obligations with regard to the County’s administration of the Oak Lodge Library and the Gladstone Library and Community Center projects.</p> <p>At a minimum, the intergovernmental agreement should specifically define the North Clackamas Parks and Recreation District’s agreement to contribute to the architecture and engineering Opsis contract and the expense allocation methodology to be used.</p>	<p>Between 1/1/2020 and 6/30/2021, the NCPRD made allocated payments of \$471,417.32 for services provided under the Opsis contract, a contract NCPRD is not a party to, without a formal agreement.</p>

		Recommendation	Observation
<b>Continuous Improvement</b>			
1	Maintain recently established Public Notice procedures and standards	<p>a) The District Administrator should continue to ensure the North Clackamas Parks and Recreation District Board of Directors executive sessions are publicly noticed using the expanded Board of County Commissioners executive session public notice format. Consideration should be given to only noticing North Clackamas Parks and Recreation District Board of Directors executive sessions when planned, instead of consistently by default.</p> <p>b) The District Administrator should continue to utilize an expanded Board of County Commissioners meeting agenda format. This format, established in early 2022, clearly distinguishes between the Board of County Commissioners and other governing bodies being convened during the meeting times, as well as meeting topics associated with each.</p>	<p>This format was established on May 31, 2022. Prior to May 2022 Public Notices of NCPRD Board of Directors executive sessions were not issued.</p> <p>Prior to 2022, it was a Board of County Commissioners practice to include business for the various service district and other governing body boards it serves as on the Board of County Commissioners meeting agendas, often times without clearly identifying the acting governing bodies. There was no clear protocol for adjourning as the BCC and convening as the new board.</p>
2	Maintain recently implemented Clackamas County Board of County Commissioners meeting protocols and practices.	<p>a) The County Administrator, who also serves as the District Administrator, should continue to help ensure each unique governing body scheduled to meet during Board of County Commissioners standing meeting times is intentionally convened and recessed to meet respective agenda items and that these actions are appropriately reflected in meeting minutes.</p> <p>The North Clackamas Parks and Recreation District Board of Directors should continue to distinctly convene and recess when District business is addressed or conducted during Board of County Commissioners meetings, including Issues &amp; Update meetings and Policy Sessions.</p>	<p>During the period of 1/1/2017 to 5/17/2022, 153 NCPRD meetings were identified. Of these, 87 meetings were conducted, with over 60 actions taken, when the NCPRD Board of Directors was not convened.</p> <p>The last identified North Clackamas Parks and Recreation District activity conducted in a Board of County Commissioners meeting when the governing body was not convened as the District Board of Directors occurred in January 2022 during an Issues &amp; Update meeting.</p>
3	Enhance the North Clackamas Parks and Recreation District Public	<p>a) The District Director should continue to strive to capture all North Clackamas Parks and Recreation District Board of Directors meeting agendas and minutes on the North Clackamas Parks and</p>	<p>Of the 153 NCPRD meetings identified during the period of 1/1/2017 to 5/17/2022, 118 are not recorded or linked to meeting materials on the NCPRD website.</p>



		Recommendation	Observation
	Meetings and Financial Information internet sites.	Recreation District meeting site, ensuring transparent access to prior Board of Directors discussions and decisions.	After the recent effort to provide this access on the NCPRD website, one recent meeting (3/8/2022 Issue & Updates) has not recorded on the North Clackamas Parks and Recreation District site and should be captured.
		<p>b) The District Director should facilitate an update to the North Clackamas Parks and Recreation District Public Meetings webpage. The update should indicate the intent to publicly notice planned quarterly District Board of Directors meetings on the North Clackamas Parks and Recreation District site.</p> <p>It should be clarified that all other as-needed North Clackamas Parks and Recreation District Board of Directors meetings (Executive Sessions, Issues &amp; Updates, Planning Sessions and Business meetings) will be publicly noticed via Board of County Commissioners publicly noticed meetings. The Board of County Commissioners meeting agendas will indicate those additional governing bodies being convened during the Board of County Commissioners meeting.</p>	The five-year average for NCPRD meetings is nearly 30 meetings per year. The majority of the NCPRD Board of Directors meetings are scheduled during standing Clackamas County Board of Commissioners meetings. A few, mostly the distinctly separate meetings, are recorded on the NCPRD website. The NCPRD website does not clearly indicate the volume and timing of all NCPRD Board of Directors activity.
		c) The North Clackamas Parks and Recreation District Financial Information page should include links to District Budget meetings and materials, as well as supplemental budget data relevant to the adopted budget data presented.	Supplemental budget data is not provided on the NCPRD Financial Information website page.
4	Enhance North Clackamas Parks and Recreation District Board of Directors meeting access, accountability and public transparency.	a) The North Clackamas Parks and Recreation District Board of Directors should continue to strive for routine, quarterly meetings held distinctly as District Board meetings, not associated with the Clackamas County Board of County Commissioners meetings.	The District Board of Directors recently refocused energy on holding distinct District Board meetings in early 2022, convening on March 30, 2022, in a separately held North Clackamas Parks and Recreation District Board of Directors meeting.
		b) The North Clackamas Parks and Recreation District Board of Directors should routinely hold meetings at a location within the District.	Of the top fifteen Oregon parks and recreation districts, ranked by fiscal year 2021 reported asset value, NCPRD is the only District not to hold regular Board meetings within the District.

		Recommendation	Observation
		<p>c) The North Clackamas Parks and Recreation District Board of Directors should routinely, as part of a standing agenda item, receive District financial updates, including project-specific progress updates.</p>	<p>During the 5-year review period, the NCPRD governing body officially received three standard financial updates: 12/21/2017, 1/18/2018 and 2/15/2018.</p> <p>Of the top fifteen Oregon parks and recreation districts, ranked by fiscal year 2021 reported asset value, over 90% of the governing boards receive regular financial reviews, some monthly.</p>
		<p>d) The North Clackamas Parks and Recreation District Board should routinely, as part of a standing agenda item, receive District Board-approved contract and intergovernmental agreement updates, including % completion (time &amp; value) and change order/amendment status.</p>	<p>The District is currently pursuing multiple development projects with significant stakeholder engagement and interest.</p>
5	<p>Maintain recently implemented Clackamas County Board of County Commissioner Consent Agenda protocols and practices</p>	<p>a) The County Administrator, who also serves as the District Administrator, should continue to help ensure each unique governing body scheduled to address a consent agenda during Board of County Commissioners standing meeting times is intentionally convened and recessed to meet the respective consent agendas and that these actions are appropriately reflected in governing body meeting minutes.</p> <p>The County Administrator should continue to help ensure that, if two Clackamas County entities are entering into an intergovernmental agreement with one another, the governing bodies of both parties are convened separately to discuss and approve the agreement</p>	<p>The North Clackamas Parks and Recreation District is one of nine other boards the Clackamas County Board of County Commissioners serves as. Based on the review of over 750 BCC meetings from 1/1/2017 to 5/17/2022, observed opportunities for enhanced governance and compliance are relevant to these bodies, as well.</p> <ul style="list-style-type: none"> <li>✓ Board of Health</li> <li>✓ Clackamas County Development Agency</li> <li>✓ Clackamas County Extension and 4-H Service District</li> <li>✓ Clackamas Water Environment Services</li> <li>✓ Enhanced Law Enforcement District</li> <li>✓ Housing Authority</li> <li>✓ Library Service District of Clackamas County</li> <li>✓ Service District #5 (Street Lighting)</li> </ul>
6	<p>Leverage established contracting processes to enhance financial controls and training</p>	<p>a) County Counsel and the Finance Director should design and implement consistent contract and agreement signature page language and protocols (entity, governing body, authorized signer - name and title, and date) recognizing the unique roles and responsibilities of the signatories.</p>	<p>Contract and intergovernmental authorizations – Who was signing for what entity – lacked consistency in the documents reviewed. In reviewing the authorizations of the 90 contracts and intergovernmental agreements identified during the review period (1/1/2017 - 5/17/2022),</p>

	Recommendation	Observation
<p>for other contractual forms (intergovernmental agreements, etc.).</p>		<p>no consistent language or signing protocols were apparent.</p> <p>The following are examples of NCPRD contract signature page language:</p> <ul style="list-style-type: none"> <li>✓ “Clackamas County NCPRD” to be signed by “Commissioner Tootie Smith, Chair on behalf of the Board”</li> <li>✓ “North Clackamas Parks and Recreation District, Name, Title, Signature”</li> <li>✓ “North Clackamas Parks and Recreation District, Tootie Smith, Chair, Board of Directors”</li> </ul> <p>The signature page for one agreement between NCPRD and another County special districts made no distinction between the two parties signing. The same person with the same title signed twice.</p>
	<p>b) The North Clackamas Parks and Recreation District Director should coordinate with County Counsel and the Finance Director to ensure financial Terms and Conditions of intergovernmental agreements are detailed and clear in definition of 1) the not to exceed amounts and 2) the project scope, as appropriate.</p>	<p>The Boardman Wetland project was supported by an intergovernmental agreement (IGA) between the NCPRD and the Oak Lodge Water Service District. The IGA focused on several funding streams and estimated the project scope based on future funding in general. The financial Terms and Conditions were not specifically detailed in a schedule or definitively stated as a “Not to Exceed” amount.</p> <p>The project resulted in \$1,267,395.83 being paid to OLWSD as reimbursed project costs. This exceeded the original estimated costs by nearly \$121,000, or 11%. Due to the estimated nature of the IGA, the NCPRD determined the costs paid were allowable under the contract. No amendment was pursued.</p>
	<p>c) The District Director should ensure agreement amendments are established and authorized for any necessary changes to the Terms and Conditions of contracts prior to incurring District liability.</p>	<p>The Boardman Wetland project was supported by an intergovernmental agreement between the NCPRD and the Oak Lodge Water Service District. The IGA focused on several funding streams and estimated the project scope based on future funding in general. The financial Terms</p>

		Recommendation	Observation
			<p>and Conditions were not specifically detailed in a schedule or definitively stated as a "Not to Exceed" amount.</p> <p>The project resulted in \$1,267,395.83 being paid to OLWSD as reimbursed project costs. This exceeded the original estimated costs by nearly \$121,000, or 11%. Due to the estimated nature of the IGA, the NCPRD determined the costs paid were allowable under the contract. No amendment was pursued.</p>
		d) County Counsel should collaborate with the Finance Director to identify areas for enhanced intergovernmental agreement management controls and provide "contract administration" training for intergovernmental agreement users and responsible parties.	A distinction has been drawn in County practices between contracts and intergovernmental agreements. County Counsel is the Issuing Department for intergovernmental agreements. Finance's Procurement Division is the Issuing Department for all contracts. This has led to an inconsistency in the awareness and application of standard financial controls when administering and managing intergovernmental agreements.
7	Ensure established, ongoing NCPRD vendor relationships comply with Procurement guidelines.	a) The District Director should review routine procurements through individual vendors which cumulatively exceed Procurement thresholds, confirming appropriate Procurement processes and contract signing authority, as necessary.	In five years, over \$464,000 has been paid by NCPRD to Food Services of America. NCPRD indicated the District has not had a contract with Food Services of America.