

Clackamas County
Internal Audit Oversight Committee
Meeting Materials
Wednesday, October 11, 2023

Item #1
Draft June 14, 2023, Meeting Minutes



MEETING MINUTES

Internal Audit Oversight Committee

Wednesday, June 14, 2023
2:00 p.m. to 4:00 p.m.

Virtual meeting

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

Guest Presenters: Rod Cook, H3S Director; Denise Swanson, H3S Deputy Director; Brenda Durbin, Social Services Director; Teresa Christopherson, Administrative Services Manager; Linu Parappilly, Technology Services Director; Dave DeVore, Technology Services Deputy Director

Issue	Presenter/ Staff Contact	Issue Description	Decision/Action/Assignments
Welcome and Introductions	Chair Minh Dan Vuong	Chair Minh Dan Vuong opened the meeting and welcomed the Internal Audit Oversight Committee members. Jodi Cochran, County Internal Auditor, performed the roll call.	None

Issue	Presenter/ Staff Contact	Issue Description	Decision/Action/Assignments
		It was announced that the meeting is a public meeting and is accessible via ZOOM to any member of the community who would like to observe. Public comment will not be taken during the meeting but can be emailed to OCIA@Clackamas.us .	
March 8, 2023, meeting minutes	Chair Minh Dan Vuong	<p>The draft March 8, 2023, Internal Audit Oversight Committee meeting minutes were presented.</p> <p>Gary Schmidt moved to adopt the March 8, 2023, draft minutes as written. Commissioner Tootie Smith, the Board of County Commissioners Chair seconded the motion. The motion was approved unanimously.</p>	March 8, 2023, minutes approved as written.
Emergency Rental Assistance Program engagement results	<p>Kathy Yeung, Senior Internal Auditor,</p> <p>Rod Cook, H3S Director,</p> <p>Denise Swanson, H3S Deputy Director,</p> <p>Brenda Durbin, H3S Social Services Division Director</p> <p>Teresa Christopherson, Administrative Services Manager</p>	Kathy Yeung presented the Emergency Rental Assistance Program engagement results. Health, Housing and Human Services (H3S) Director Rod Cook, H3S Deputy Director Denise Swanson, Social Services Director Brenda Durbin, and Administrative Services Manager Teresa Christopherson were present to answer questions and provide additional insight. The presentation addressed why the engagement is important, what was observed and recommended as a result of the engagement, and how the Social Services management team has responded to the engagement.	Informational

Issue	Presenter/ Staff Contact	Issue Description	Decision/Action/Assignments
Information Security Program engagement results	<p>Jodi Cochran, County Internal Auditor</p> <p>Linu Parappilly, Technology Services Director</p> <p>Dave DeVore, Technology Services Deputy Director</p>	<p>Jodi presented the Information Security Program engagement results. Technology Services Director Linu Parappilly and Technology Services Deputy Director Dave DeVore were present to provide additional insight and details. The presentation addressed why the engagement is important, what was observed and recommended as a result of the engagement, and how the Technology Services management team has responded to the engagement.</p>	<p>Informational</p>
Executive session: Information Security Program engagement results	<p>Jodi Cochran, County Internal Auditor</p> <p>Linu Parappilly, Technology Services Director</p> <p>Dave DeVore, Technology Services Deputy Director</p>	<p>The Internal Audit Oversight Committee and presenters convened in an executive session under ORS 192.660(2)(f) to discuss exempt records.</p>	<p>Informational</p>
Quality Assurance Improvement Program (QAIP)	<p>Jodi Cochran, County Internal Auditor</p>	<p>The Internal Audit Oversight Committee resumed its public meeting.</p> <p>The 2022 Audit Plan and the Quality Assurance and Improvement Program Status reports were provided. The quarterly reports detail progress toward achieving the annual Audit Plan and specific County Internal Audit strategies and goals. Additionally, the Quality Assurance Improvement Program report serves as a method of addressing specific Standards and ensuring accountability.</p>	<p>Informational</p>

Issue	Presenter/ Staff Contact	Issue Description	Decision/Action/Assignments
		Review of the reports at the committee meeting are based on availability of time, and reports are typically provided at a high level. Jodi provided a status update on the in-progress, temporarily paused, and upcoming audit engagements.	
2023 Audit Plan	Jodi Cochran, County Internal Auditor	<p>Jodi presented the 2022 Risk Assessment and proposed FY23-24 Audit Plan. The presentation highlighted the Office of County Internal Audit's roles and responsibilities, risk assessment results, proposed engagements, and recommended Internal Audit Oversight Committee action. The Committee was reminded of the evaluation criteria to be applied when adopting an audit plan. For each proposed engagement, the risk score, strategic priority, and insight on the evaluation standards were provided.</p> <p>The Committee discussed and provided feedback on the proposed engagements. The County Administrator expressed concerns regarding the impact of a construction project audit on his Office's team. Two Committee members excused themselves due to other meeting obligations. Without a quorum, the further discussion and the adoption of the FY23-24 Audit Plan was postponed to a later date.</p>	<p>Adoption of FY23-24 Audit Plan postponed to later date.</p> <p>Special meeting to be scheduled to address FY23-24 Audit Plan adoption.</p>
Round Table	All	Committee members provided general comments and feedback.	
Meeting adjournment	Chair Minh Dan Vuong	With no additional comments from the Committee, the meeting adjourned at 3:56 p.m.	
		<p>Next scheduled meetings:</p> <p>Special meeting for audit plan adoption Date: TBD Location: TBD</p>	Submitted by: Kathy Yeung

Clackamas County
Internal Audit Oversight Committee
Meeting Materials
Wednesday, October 11, 2023

Item #2
Draft July 26, 2023, Meeting Minutes



MEETING MINUTES

Internal Audit Oversight Committee

Wednesday, July 26, 2023
1:30 p.m. to 2:00 p.m.

Virtual meeting

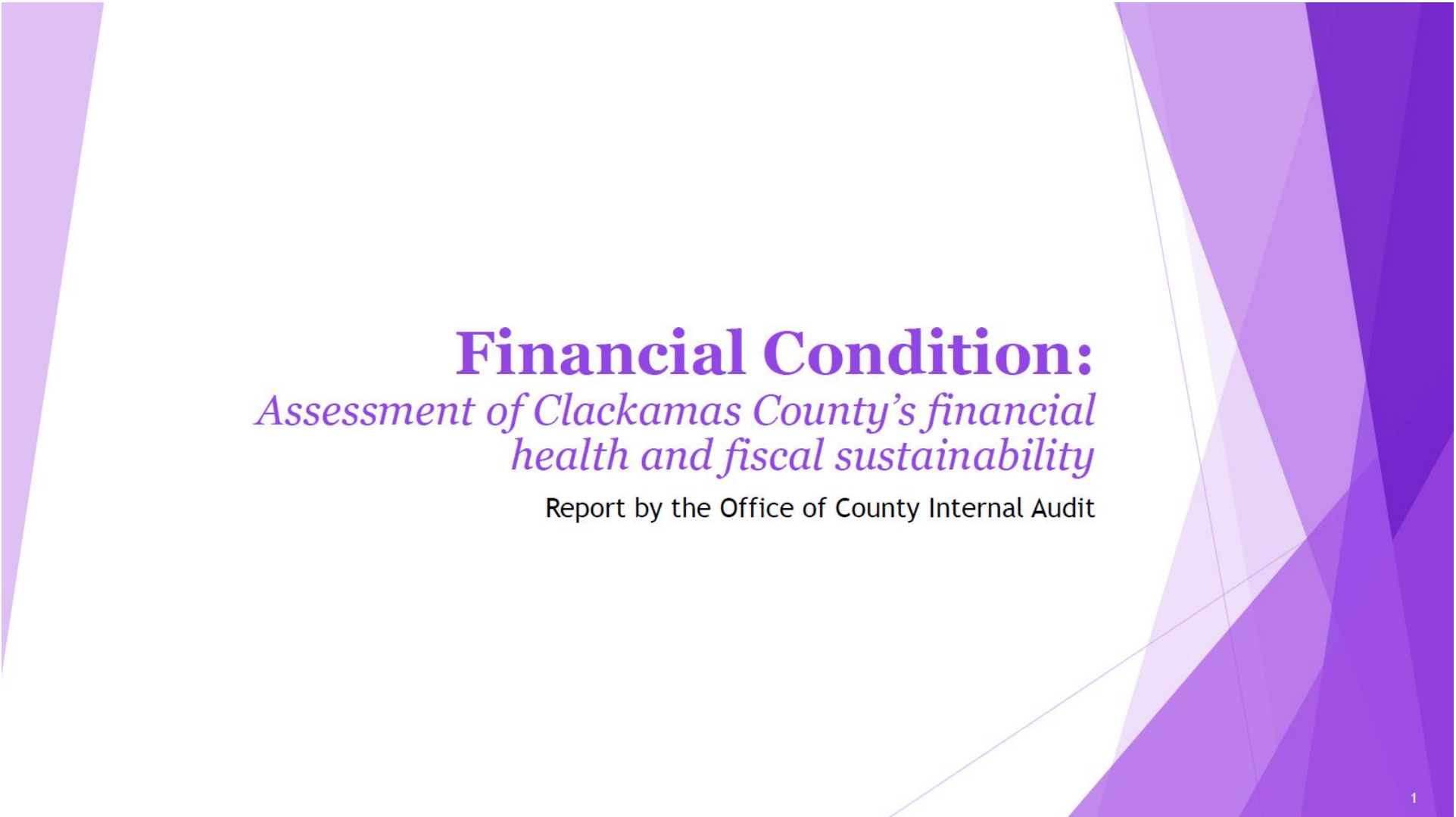
- Minh Dan Vuong, IAOC Chair, Community Member
- Jeff Gibbs, Community Member
- Wilda Parks, Community Member
- Tootie Smith, Chair of Board of County Commissioners
- Mark Shull, Vice-chair of Board of County Commissioners
- Gary Schmidt, County Administrator
- Stephen Madkour, County Counsel
- Brian Nava, County Treasurer (non-voting)
- Jodi Cochran, County Internal Auditor
- Kathy Yeung, Senior Internal Auditor
- Scott Anderson, Video Production Coordinator, PGA

Issue	Presenter/ Staff Contact	Issue Description	Decision/Action/Assignments
Welcome and Introductions	Chair Minh Dan Vuong	<p>Chair Minh Dan Vuong opened the meeting and welcomed the Internal Audit Oversight Committee members and the newest committee member, Wilda Parks. Members introduced themselves in lieu of roll call. All members were present.</p> <p>It was announced that the meeting is a public meeting and is accessible via ZOOM to any member of the community who would</p>	None

Issue	Presenter/ Staff Contact	Issue Description	Decision/Action/Assignments
		like to observe. Public comment will not be taken during the meeting but can be emailed to OCIA@Clackamas.us .	
FY 2023 - 2024 Audit Plan	Jodi Cochran, County Internal Auditor	<p>Jodi presented the 2022 Risk Assessment and the updated FY23-24 Audit Plan proposed for adoption. The presentation highlighted the Office of County Internal Audit's roles and responsibilities, risk assessment results, proposed engagements, recommended Internal Audit Oversight Committee action. The FY23-24 Audit Plan was updated to incorporate feedback from the previous committee meeting. For each proposed engagement, the risk score, strategic priority, and insight on the evaluation standards were provided. Committee members provided general comments and feedback.</p> <p>Jeff Gibbs moved to adopt the FY23-24 Audit Plan as written. Commissioner Mark Shull seconded the motion. The motion was approved unanimously.</p>	FY23-24 Audit Plan approved as written.
Round Table	All	No additional comments made.	
Meeting adjournment	Chair Minh Dan Vuong	With no additional comments from the Committee, the meeting adjourned at 1:53 p.m.	
		<p>Next scheduled meetings:</p> <p>Wednesday, October 11, 2023 2:00 p.m. to 3:00 p.m. Location: TBD</p>	Submitted by: Kathy Yeung

Clackamas County
Internal Audit Oversight Committee
Meeting Materials
Wednesday, October 11, 2023

Item #3
2022 Financial Condition –
Report Presentation



Financial Condition:

Assessment of Clackamas County's financial health and fiscal sustainability

Report by the Office of County Internal Audit

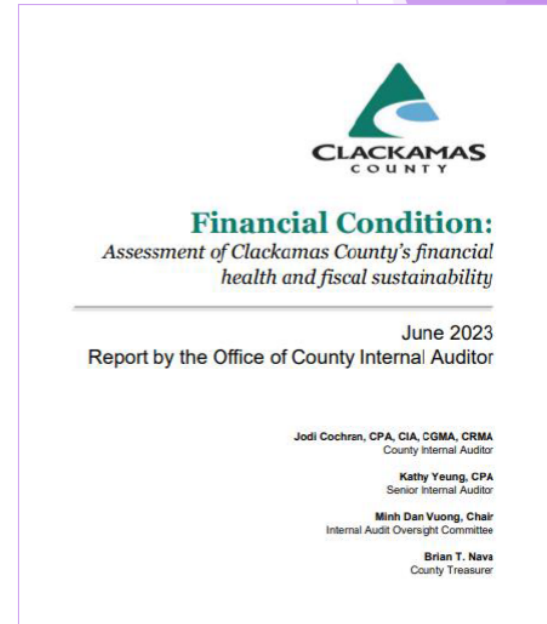
What is a Financial Condition?

This report provides users information on Clackamas County's financial health

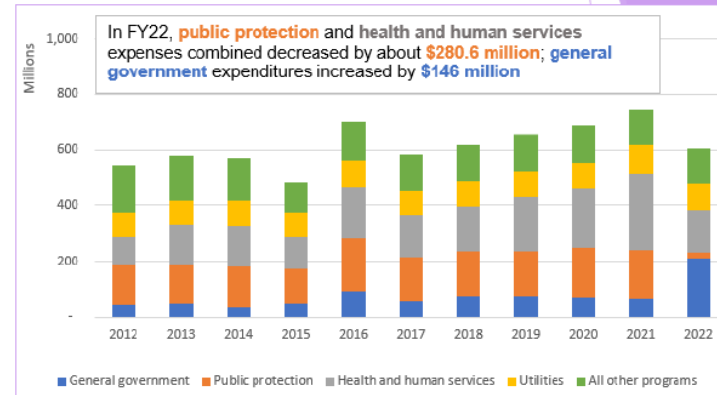
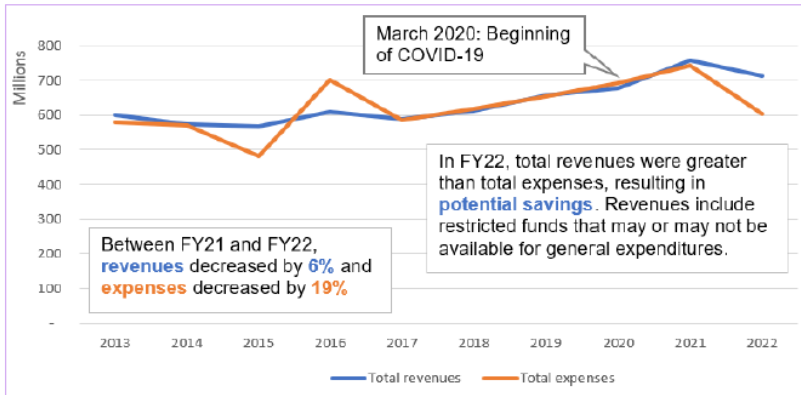
- ▶ Identifies favorable and unfavorable trends at a high level
- ▶ Enables public officials and residents to assess the county's financial condition and fiscal sustainability
- ▶ Provides additional analysis and transparency of the County's financial health

What it doesn't do:

- ▶ Provide recommendations on operational processes
- ▶ Provide explanations or analysis on the cause of changes



What We Found



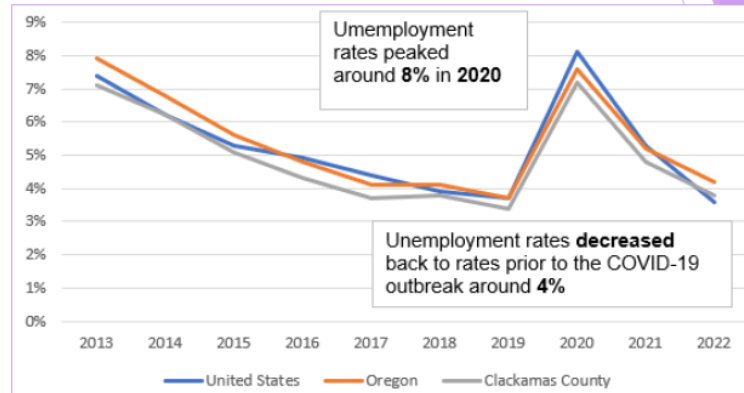
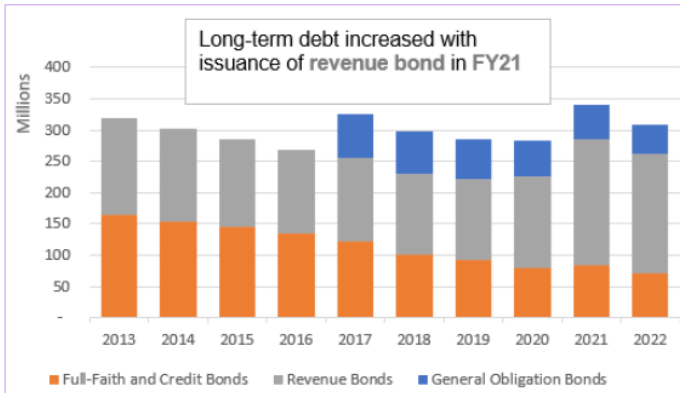
Revenue:

- ▶ In FY22, revenues were greater than expenses
- ▶ Grants and contributions and property taxes accounted for majority of the county revenue sources

Expense:

- ▶ FY22 total expenditures lowest in most recent five years
- ▶ A portion of general government expenditures increased during FY22 due to change in funding structure and classifications

What We Found



Financial Health:

- ▶ Long-term debt increased with issuance of revenue bond in FY21
- ▶ Capital assets continued to decline in value

Demographic and Economy:

- ▶ Average population growth rate at 1.06%
- ▶ Peak unemployment rates around 8% in 2020 and have decreased to around 4% in 2022

About the Report

- ▶ The Financial Condition report can be found on the Office of Internal Audit website under 2023 Audit Reports
- ▶ Three Financial Condition reports to date
- ▶ Key trends and indicators were based on the International City/County Management Association
- ▶ Number of key indicators provided: 18

The screenshot displays the Clackamas County website's Internal Audit page. The top navigation bar includes 'Select Language', 'Jobs', 'Events', 'News', and 'Contact Us'. Below this, the 'CLACKAMAS COUNTY' logo is visible, along with 'COMMUNITY', 'BUSINESS', and 'DEPARTMENTS' links. A breadcrumb trail shows 'DEPARTMENTS' > 'INTERNAL AUDIT'. A secondary navigation bar contains 'AUDIT REPORTS', 'RESOURCES', and 'ABOUT COUNTY INTERNAL AUDITOR'. A red arrow points to the 'AUDIT REPORTS' link in this bar. The main heading is 'Internal Audit', followed by a descriptive paragraph. A secondary navigation bar at the bottom of the page also contains 'AUDIT REPORTS', 'RESOURCES', and 'ABOUT COUNTY INTERNAL AUDITOR'. The '2023 Audit Reports' section lists three reports: 'Emergency Rental Assistance Program: Ensuring Program Compliance with the Eligibility Criteria (Report #2022-03)', 'Information Security Program: Prioritizing cybersecurity resources and mitigation strategies is vital to ensuring the county's continued ability to serve (Report #2022-05)', and 'Financial Condition: Assessment of Clackamas County's financial health and fiscal sustainability (Report #2022-06)'. A red arrow points to the 'Full Report' link under the 'Financial Condition' report.

CLACKAMAS COUNTY

COMMUNITY BUSINESS DEPARTMENTS

DEPARTMENTS INTERNAL AUDIT

AUDIT REPORTS RESOURCES ABOUT COUNTY INTERNAL AUDITOR

Internal Audit

The County Internal Auditor, the Chief Audit Executive, provides independent assurance, consulting, investigative services to the public, employees, and departments of Clackamas County so they can

AUDIT REPORTS RESOURCES ABOUT COUNTY INTERNAL AUDITOR

2023 Audit Reports

Emergency Rental Assistance Program: Ensuring Program Compliance with the Eligibility Criteria (Report #2022-03)

- Executive Summary
- Full Report

Information Security Program: Prioritizing cybersecurity resources and mitigation strategies is vital to ensuring the county's continued ability to serve (Report #2022-05)

- Full Report

Financial Condition: Assessment of Clackamas County's financial health and fiscal sustainability (Report #2022-06)

- Full Report
- Executive Summary

Clackamas County
Internal Audit Oversight Committee
Meeting Materials
Wednesday, October 11, 2023

Item #4
2022 Financial Condition,
Report #2022-06



Financial Condition:

Assessment of Clackamas County's financial health and fiscal sustainability

June 2023

Report by the Office of County Internal Auditor

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

Kathy Yeung, CPA
Senior Internal Auditor

Minh Dan Vuong, Chair
Internal Audit Oversight Committee

Brian T. Nava
County Treasurer

NOTICE

The Office of County Internal Audit is committed to providing meaningful access to users of the report. For accommodations, translations, or additional information, please contact us via email at ocia@clackamas.us or via phone at 503-742-5983.

La Oficina de Auditoría Interna del se compromete a brindar un acceso significativo a los usuarios del informe. Para obtener adaptaciones, traducciones o información adicional, contáctenos por correo electrónico a ocia@clackamas.us o por teléfono al 503-742-5983.

县内部审计办公室致力于为该报告的用户提供有意义的访问权限。有关翻译或其他信息，请通过电子邮件 ocia@clackamas.us 或拨打 503-742-5983 与我们联系。

Офис окружного внутреннего аудита стремится к предоставлению реального доступа пользователям отчета. Для услуг по размещению и переводу, а также за дополнительной информацией вы можете связаться с нами по электронной почте ocia@clackamas.us или телефону 503-742-5983.

Văn phòng Kiểm toán Nội bộ Hạt cam kết cung cấp phương tiện phù hợp để người Trung tiếp cận báo cáo. Để biết Trung thông tin về, dịch thuật, hoặc các thông tin khác, vui Trung liên hệ chúng tôi qua email ocia@clackamas.us hoặc số điện thoại 503-742-5983.

Управління внутрішнього контролю округу прагне забезпечити повноцінний доступ до звіту для осіб, які звертаються за ним. З питань щодо розміщення, перекладів або отримання додаткової інформації, будь ласка, напишіть нам на електронну пошту ocia@clackamas.us або зателефонуйте за номером 503-742-5983.

To request this report in large print or to receive descriptive text and narratives for all visuals and graphs in this report, please contact us via email at ocia@clackamas.us or via phone at 503-742-5983.



Executive Summary

The county's financial health is stable. The county has a balanced budget and the county's debt, liquidity, fund balance, and credit ratings are strong. Revenue and expense per county resident indicators continue to increase. The county needs to monitor its aging capital assets and unmet infrastructure needs.

	Indicator	Change from Previous Year	10-year Trend	Interpretation
Financial Health	Liquidity: Cash resources to meet immediate needs	↓	↑ Above standard since 2007	OK
	Debt Ratio: Compares total debt to total assets	↓	↑ Above standard since 2007	OK
	Fund Balance Ratio: Reserves for adequate cash flow and capacity to withstand financial emergencies	↓	↑ Above standard since 2010	OK
	Capital Assets Aging: Maintenance and repair of county's buildings, roads, bridges, machinery, and equipment	↓	↓	Needs more attention
	Net Position: What we own versus what we owe	↑	↓	Needs more attention
Revenues	Revenue per county resident	↑	↑	Needs more attention
	Property taxes collected per county resident	↑	↑	OK
	Percentage of General Fund Intergovernmental Revenues: county general fund dollars received from state and federal government	↑	↑	OK
Expenditures	Expenses per county resident	↑	↑	Needs more attention
	County employees per 1,000 county residents	↑	↑	OK
	Internal service expenses	↓	↑	OK
Debt	Percentage of spending on debt: County dollars spent on principal and interest	↓	↓	OK
	Credit Ratings: Independent assessment of County's debt health	↑	↑	OK
	Outstanding debt per county resident	↑	↑	Needs more attention
Demographics	Per capita income	↑	↑	OK
	Poverty	↑	↓	OK
	Residents without health insurance	↓	↓	OK
	Unemployment	↓	↓	OK



Background

What is the Financial Condition?

This report provides residents and public officials information on Clackamas County’s financial health. The report uses information—primarily from the county’s audited Annual Comprehensive Financial Report—and identifies favorable and unfavorable trends at a high level. Monitoring county finances over time enables public officials and residents to assess the county’s financial condition and fiscal sustainability, and to identify problem areas that may need attention.

A financially sustainable county can meet its obligations and provide services on an ongoing basis. It can address the effects of fiscal interdependency between governments, withstand economic disruptions, and respond to changes in the environment. A financially stable county collects enough revenue to pay its short and long-term bills and finance major needs without shifting disproportionate costs to future generations.

County Services

The county provides direct services to both urban and rural residents of Clackamas County. Some of these services are supported with local taxes. Others rely in part on state and federal revenue. The Association of Oregon Counties¹ identified major services provided by the state, counties, and by both entities.

SHARED STATE-COUNTY SERVICES <small>Serving the Citizens of Oregon</small>					
	HUMAN SERVICES	PUBLIC SAFETY	NATURAL RESOURCES	TRANSPORTATION & COMMUNITY DEVELOPMENT	GOVERNANCE, REVENUE, & VETERANS
STATE-PROVIDED SERVICES	Child Protection State Hospital	Appellate Courts Department of Justice State Police State Prisons	State Lands State Parks Water Regulation Wildlife Regulation	State Fair State Highways	Administrative Services Contracting & Procurement
STATE/COUNTY-SHARED SERVICES	Behavioral Health Services Civil Commitment Child & Family Services Disability Services Early Learning Environmental Health Foster Care Healthcare Housing Services Mental Health Services Public Health Services Senior Services Substance Abuse Prevention Substance Abuse Treatment	Community Corrections County Law Libraries Court Security District Attorney Services Drug Policy Emergency Services Juvenile Services Marine Patrol Services Medical Examiner Trial and Specialty Courts	Agriculture County Forest Trust Lands County Parks Endangered Species Energy Development Federal Land Policy Land Use (resource lands) Ocean & Coastal Policy Pescicide Control Predator Control Private & State Forests Watermaster Weed Control Wetlands Wildfire	Broadband Building Code & Inspections County Fairs Engineering Highway & Road System Infrastructure Development Land Use (non resource lands) Parks Railroads Telecommunications Transit Workforce Development	Economic Development Elections Extension Service Fees Finance & Investments Insurance & Liability Labor Relations PERS Public Records & Meetings Revenue & Taxation Veteran Services
COUNTY-PROVIDED SERVICES		Animal Control County Jails Justice Courts Search & Rescue Sheriff Patrol	County Parks County Property Soil & Water Conservation Vector Control	County Road System Recycling Solid Waste Management Surveying	Administrative Services County Library County Museums County Service Districts County Governance Document Recording

Disclaimer: Please note this list is not all inclusive. | Last updated January 2023

AOC ASSOCIATION OF OREGON COUNTIES

Source: Association of Oregon Counties Shared Services Chart

¹ <http://oregoncounties.org/news/publications/shared-services/>



Clackamas County's Financial Condition

This report is intended to provide additional analysis and transparency of the county's financial health. It is not intended to provide explanations or analysis on the cause of changes, nor provide recommendations on operational processes.

In the fiscal year beginning July 1, 2021, the county changed the chart of accounts to tie to county strategic goals and streamline processes and fund management. In changing the chart of accounts, some funds were consolidated and reclassified.

Unless otherwise indicated, data is presented on a fiscal year basis. Years on the graphs represent data as of the fiscal year ended (e.g., 2022 represents June 30, 2022).

About Clackamas County

Clackamas County was established on July 5, 1843. It is governed by an elected Board of Commissioners. The county encompasses 1,883 square miles of urban, suburban, rural, and wild geographic areas.

The county's Land Acknowledgement states: "What we now call Clackamas County is the traditional lands and waterways of the Clackamas, Chinook Bands, Kalapuya, Kathlamet, Molalla, Multnomah, Tualatin, Tumwater, Wasco and many other tribes of the Willamette Valley and Western Oregon. We will never be able to name every tribe that visited or lived upon this land because these communities frequently traveled for trade and other reasons. The Indigenous people lived, traded and navigated along great rivers and tributaries presently named the Clackamas, Molalla, Pudding, Sandy, and Willamette. Many of the original inhabitants of this land died from disease, war and other conflicts. Those that survived these tragedies were forcibly removed and relocated by European settlers and the United States Government because of the land's value. Today, their descendants live on, still carrying on the traditions and cultures of their ancestors.

"We honor the Native American people of Clackamas County as a vibrant, foundational and integral part of our community here today. We respectfully acknowledge Wy'east, also known as Mount Hood, and Hvas Tyee Tumwater, also known as Willamette Falls, as sacred sites for many Native Americans. We thank those who have connection to this land and serve as stewards, working to ensure our ecosystem stays balanced and healthy."²

² About [Clackamas County](#)

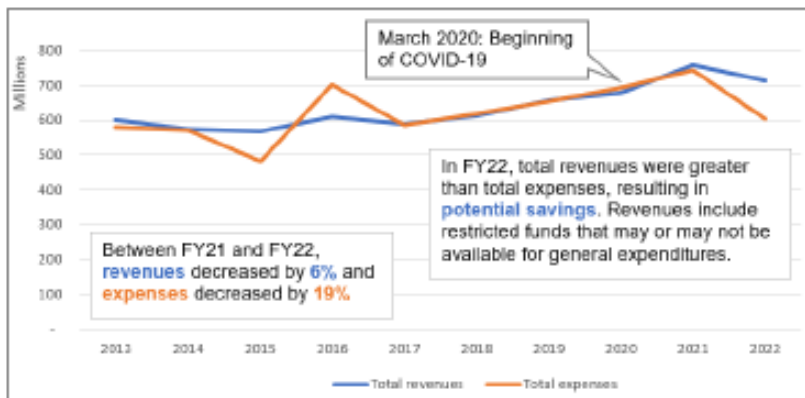


Revenues and Expenses

Why are Revenues and Expenses Important?

Revenues are necessary for a government to provide services to its residents. Diverse sources of revenues can help the county weather a downturn in the economy. Expenses are a government's cost of providing public services, not just what the government spent (expenditures) during the year. Some common expenses are salaries and wages, pension obligations, and asset depreciation. The county can have a balanced budget each year based on its anticipated resources and budgeted expenditures. Actual revenues may not equal or may not exceed the total costs of services provided.

Total Revenues Greater than Expenses Result in Potential Savings



Within the last ten years (FY13 to FY22), revenues increased approximately 19% (adjusted for inflation). When compared to the previous year (FY21), revenues and expenses decreased by approximately 6% and 19%, respectively (Figure 1).

Figure 1 Revenues versus expenses (in millions, adjusted for inflation)

Total revenues greater than expenses result in a revenue overage, and total expenses greater than revenues result in a revenue shortage. In FY22, revenues were approximately \$714.2 million and expenses were \$603.4 million³. This meant a revenue overage that created a potential for savings (Figure 2). Between FY17 and FY21, the county fluctuated between having small revenue overages and shortages, meaning the amount of funds received (revenues) were about the same as the amount spent (expenses). It should be noted that revenues can include funds that are restricted and may not be available for general expenditures. For more information about restricted fund balances, see the "Financial Health" section.

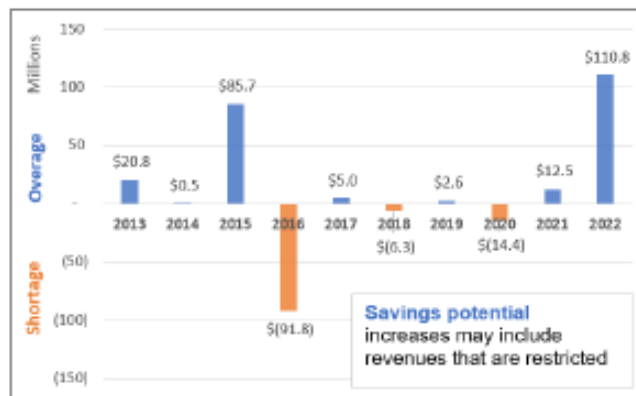


Figure 2 Revenue overages and shortfalls (in millions, adjusted for inflation)

³ Excludes legally separate, tax-exempt component units of Clackamas County

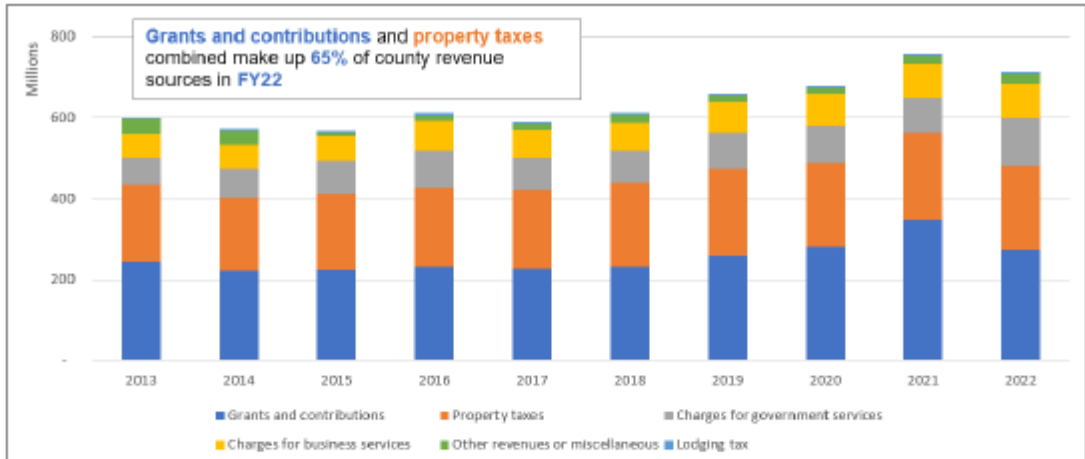


Figure 3 Revenues by source (in millions, adjusted for inflation)

Where Does the Money Come From?

Diverse sources of revenues can help the county weather a downturn in the economy. Combined, grants and contributions and property taxes accounted for 65% of county revenues sources in FY22. In addition to these two largest revenue sources, the county receives revenues from charges for government services, charges for business services, lodging tax, and other miscellaneous sources. For the purposes of this report, revenue of discretely presented component units were excluded as the county has no financial benefit or burden relationship with these legally separated, tax-exempt component units⁴. Grants and contributions decreased by 21% from the prior year and property taxes decreased by 4%. Revenues in all other categories had an increase from the prior year (Figure 3).

Grants and contributions were the largest revenue source

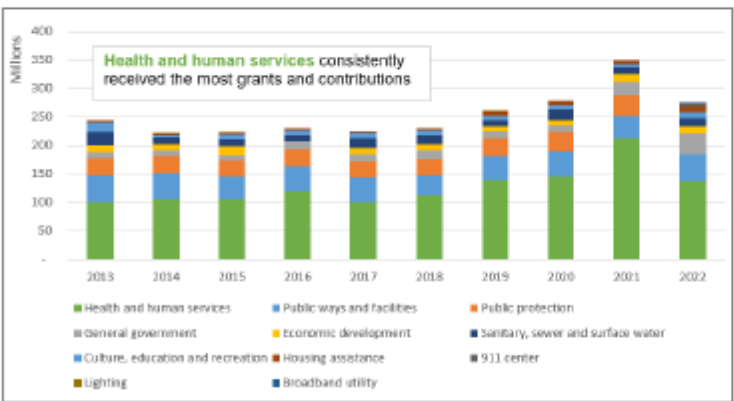


Figure 4 Grants and contributions (in millions, adjusted for inflation)

Grants and contributions were the largest revenue source for the county (Figure 4). These revenues included direct federal, state, and local funding, as well as federal funding passing through the state to the county. Many programs were supported by these revenues.

⁴ Clackamas County [Annual Comprehensive Financial Report](#) for the fiscal year ended June 30, 2022



During the last half of FY20, the World Health Organization declared the novel coronavirus, COVID-19, a pandemic. Assistance for state, local, and tribal governments to provide critical relief and continuing support during the pandemic included, and not limited to, funding through the CARES Act through the Coronavirus Relief Fund and the American Rescue Plan Act⁵.

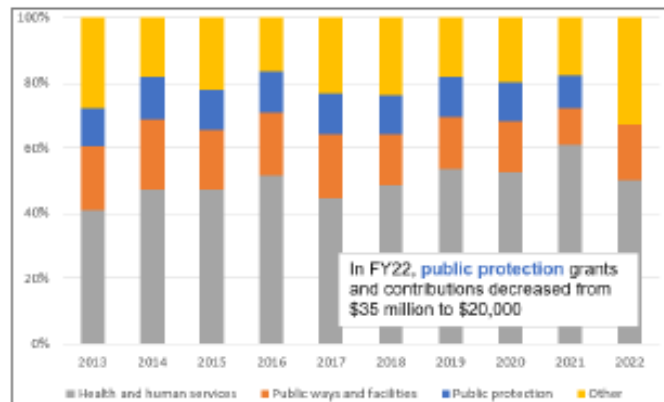


Figure 5 Percentage of grants and contributions by revenue source (adjusted for inflation)

Significant amounts of COVID-19 assistance and relief funds received as a result of the state of emergency⁶ led to an increase in health and human services grants and contributions in FY21. Health and human services, public ways and facilities, and public protection combined consistently represent more than half of all grants and contributions (Figure 5). In FY22, public protection grants and contributions significantly decreased. During this period, the county revised its funding structure and reporting classifications. A portion of this decrease can be attributed to the change in fiscal reporting.

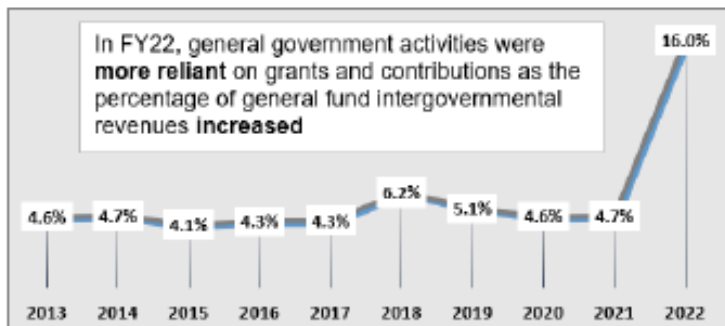


Figure 6 General fund intergovernmental revenues as a percentage of total general fund revenues

The county's general government reliance on grants and contributions can be represented as a percentage of general fund intergovernmental revenues. This percentage remained steady from FY13 through FY21. An increase of \$30 million in general fund intergovernmental revenues during FY22 resulted in a percentage increase from 5% of total general fund revenues to 16% (Figure 6).

Property taxes have grown an annual average of 5% in the last 10 years

General government programs, as well as library services, were primarily supported by property tax revenues. In FY22, the county received approximately \$206.5 million in county property taxes⁷. In the last 10 years, the county received just over \$1.71 billion in county related property taxes, with an average increase of 4% per year (unadjusted). Since FY14, approximately 71% of county property taxes paid for general county services.

⁵ U.S. Department of the Treasury COVID-19 Economic Relief [Assistance for State, Local, and Tribal Governments](#)

⁶ State of Oregon [Executive Order No. 20-03](#) signed on March 8, 2020

⁷ Property tax revenue from component units and service districts excluded

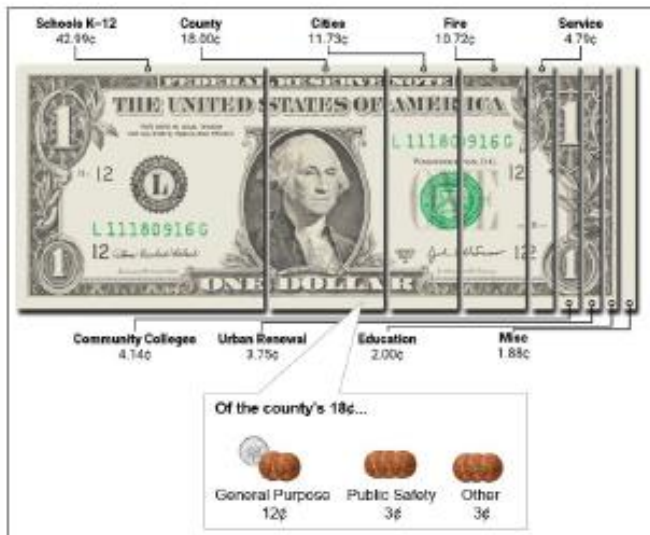


Figure 7 Programs funded with property tax revenue allocated to the county in FY22; dollar bill chart provided by Clackamas County Budget

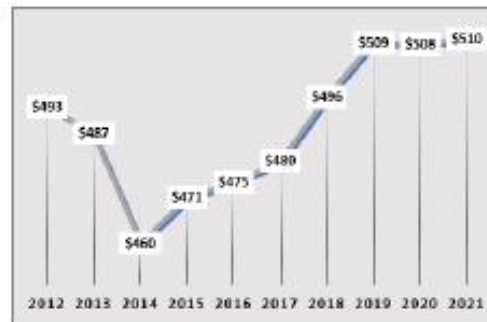


Figure 8 Property taxes collected per person (adjusted for inflation)

About 18% of property taxes collected within Clackamas County went to the county, and the remainder of property tax revenues were passed to schools and community colleges, fire districts, service districts, and more⁸. This means for every dollar of property

taxes, 18¢ goes to the county. Of that 18¢, about 12¢ were used for general purpose, three cents for public safety, and three cents for other services such as the library, parks and recreation, education outreach, and more (Figure 7). Property taxes collected per person averaged a two percent annual increase from FY15 though FY19 and had since held relatively steady at around \$510 per person (Figure 8).

Third largest revenue source was fees, fines and charges for services

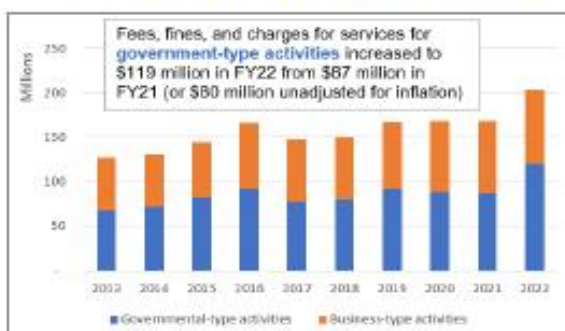


Figure 9 Government and business fees, fines, and charges (in millions, adjusted for inflation)

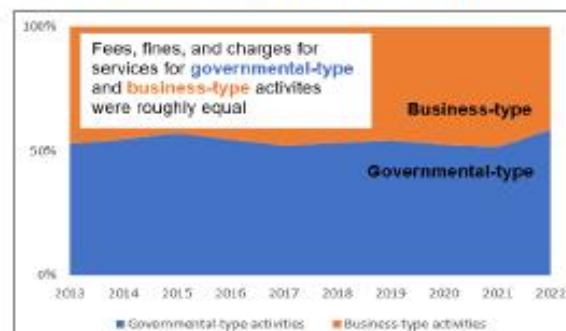


Figure 10 Government and business fees, fines, and charges percentages of total (adjusted for inflation)

Fees, fines and charges for services can be broken down into two categories: government-type and business-type activities. Each category accounts for roughly fifty percent of this revenue source though FY21 (Figure 9 and Figure 10). In FY22, fees, fines, and charges for services for governmental-type activities increased from 52% to 58% of the total fees, fines, and charges for services.

⁸ Clackamas County [Budget and Assessment & Taxation](#)



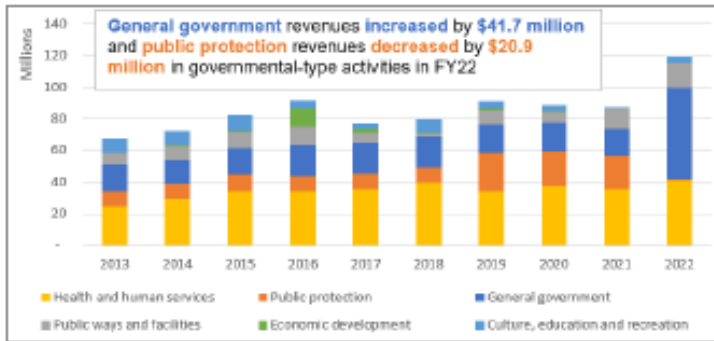


Figure 11 Government fees, fines and charges for services (in millions, adjusted for inflation)

Governmental-type activities generally occur when no “exchange” relationship exists between resources provided and services received. For example, most individual property taxes do not pay for a specific service, even though individual taxes or portions of taxes are sometimes dedicated to particular activities.

Health and human services were the largest source of revenue for governmental-type activities through FY21, and general government was the largest source of revenue in FY22 (Figure 11). In FY22, Health and human services fees, fines and charges for services increased by about \$5.7 million and culture, education and recreation fees, fines and charges for services increased by about \$4.0 million.

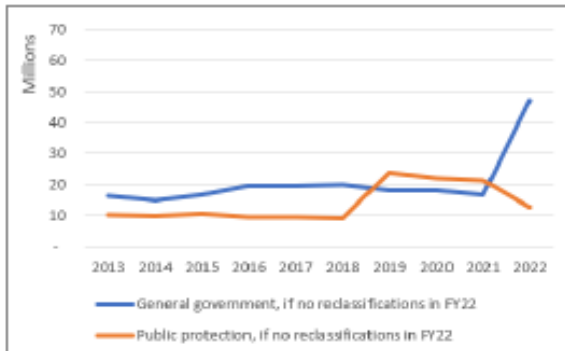


Figure 12 General government and public protection fees, fines and charges for services if no reclassifications⁹ were made in FY22 (in millions, adjusted for inflation)

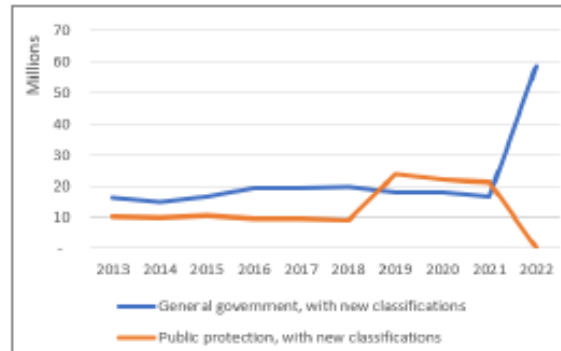


Figure 13 General government and public protection fees, fines and charges for services using the new classifications (in millions, adjusted for inflation)

As a result of the county’s change in funding structure and classifications in FY22, the presentation of total revenues by function type (i.e., general government, public protection, health and human services, etc.) may have changed. Figure 12 provides a visual of what the fees, fines, and charges for services revenue would look like if the funding structure and classifications did not change (i.e., public protections funds were not reclassified as general government funds)⁹. Figure 13 is shown to provide a comparison of what the FY22 financial statement stated. Both graphs have been adjusted for inflation.

Due to the reclassification, approximately \$12.4 million of FY22 public protection fees, fines, and charges for services were grouped as part of the general government function. Excluding the \$12.4 million reclassification from public protection, general government fees, fines, and charges for services increased by an additional \$29.3 million in FY22.

⁹ The process of regrouping individual function revenue to what it would have been if no reclassifications were made in FY22 involved estimations and professional judgment and therefore were not based on audited amounts



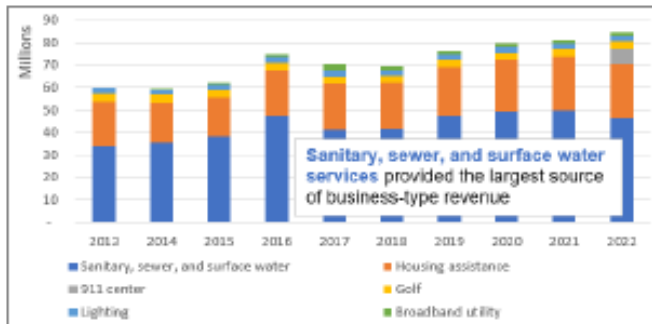


Figure 14 Business fees, fines, and charges for services (in millions, adjusted for inflation)

Business-type activities are generally characterized by an exchange relationship, manifested by user charges that may be based on the costs of providing a particular service. Some business-type activities receive significant operating subsidies, capital grants, or taxes from the general government, diminishing the role of costs in establishing users' charges.

Sanitary, sewer, and surface water and housing assistance programs generated majority of the business-type revenues (Figure 14). The total increase in business-type revenue for FY22 was about 4%.

Sanitary, sewer, and surface water and

Where Does the Money Go?

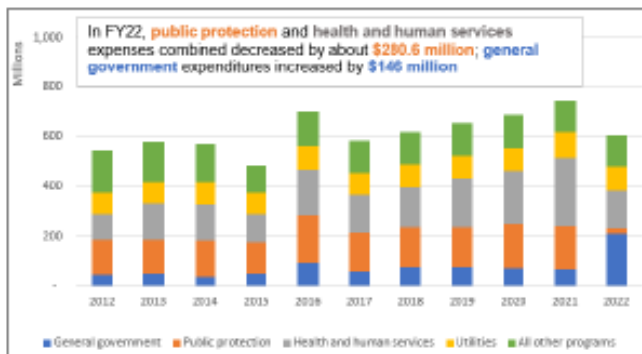


Figure 15 Expenditures by program excluding legally separate, tax-exempt component units of the County (in millions, adjusted for inflation)

Over a 10-year trend, public protection and health and human services expenditures combined have consistently represented the majority of total expenditures. In FY22, general government expenditures represented 35% of total expenditures¹⁰, and health and human services expenditures represented 25% (Figure 15). A portion of the general government expenditures increase during FY22 was due to the county's change in funding structure and classifications.

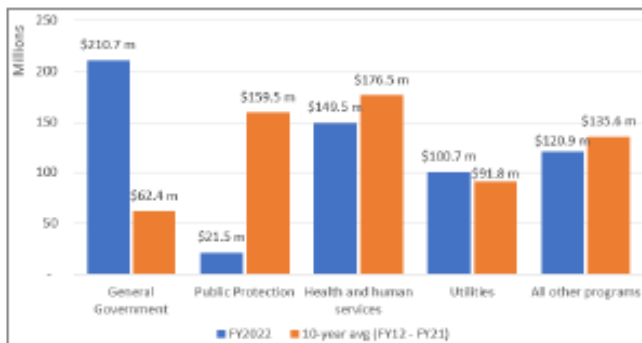


Figure 16 FY22 Expenses by program compared to 10-year average (in millions, adjusted for inflation)

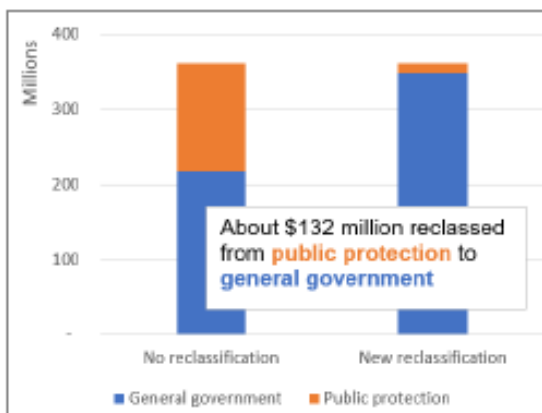
In addition to these two largest expenditures programs, the county expended resources supporting public protection, utility, public ways and facilities, and more (Figure 16). From FY17 to FY21, total expenditures slowly increased. In FY22, total expenditures decreased by approximately \$140.6 million. Public protection expenditures decreased by about \$155.5 million, and health and human services expenditures decreased by about \$125.2 million.

¹⁰ Excludes legally separate, tax-exempt component units of Clackamas County



Public protection expenditures shift due to reclassification

Prior to the change in funding structure and classifications in FY22, public protection expenditures included activities to support the Sheriff's Office, Juvenile department, District Attorney's Office, Community Corrections, the Law Library, Public Safety Local Option Levy, and more. Public protection expenditures for the Sheriff's Office are for operating the county's jail and providing patrol, investigation, and civil processing services to incorporated and unincorporated areas of Clackamas County. The Public Safety Local Option Levy, renewed in May 2021, helps fund additional jail beds and deputies. The Department of Community Corrections provides supervision of adult offenders in the community, while the Juvenile Department provides supervision of juvenile offenders in the community. The District Attorney's Office prosecutes offenders and protects crime victims. The county's Justice Court generally has jurisdiction over misdemeanors and violations sited to its court.



Due to the reclassification, approximately \$132 million of FY22 public protection program expenditures were regrouped and reported as part of the general government category (Figure 17). Figure 18 provides a continuation of the trend analysis within public protection program expenditures had there been no fund classification change in FY22¹¹. Expenditures for these activities have been proportionately consistent throughout FY21.

Figure 17 Comparison of public protection program expenditures for FY22 before and after reclassifications¹¹ were made (in millions)

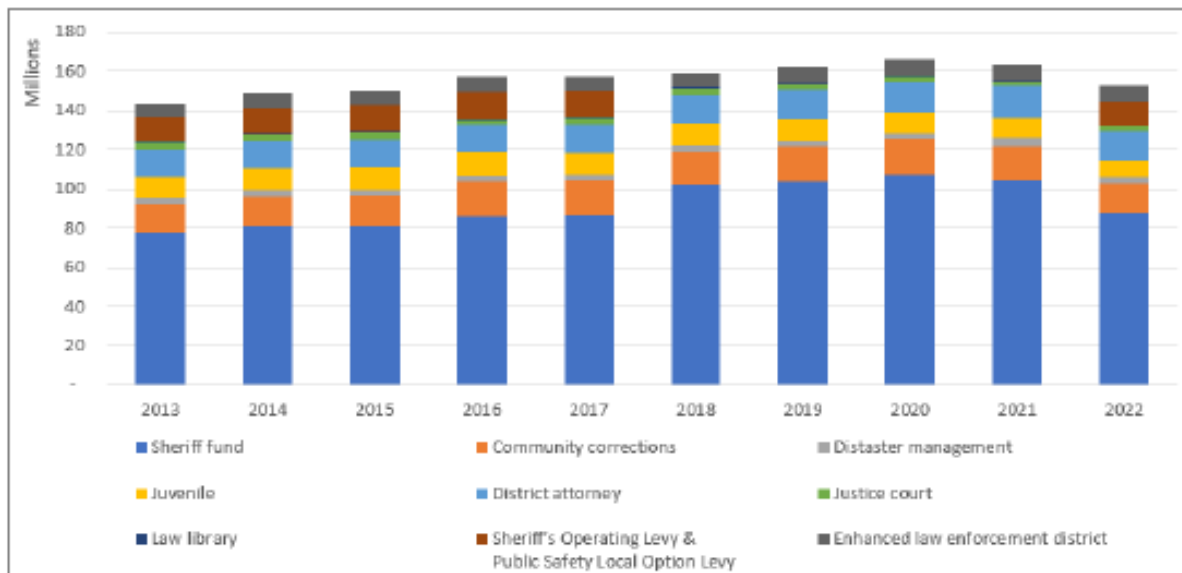


Figure 18 Public protection program expenditures if no reclassifications¹¹ were made in FY22 (in millions, adjusted for inflation)

¹¹ The process of regrouping individual function revenue to what it would have been if no reclassifications were made in FY22 involved estimations and professional judgment and therefore were not based on audited amounts

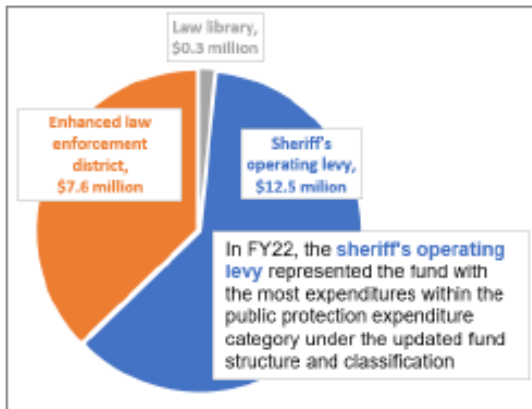


Figure 19 Public protection expenditures by funds under the updated fund structure and classification in FY22 (in millions)

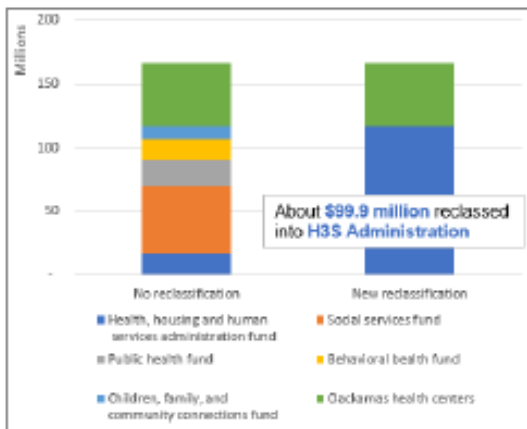


Figure 20 Comparison of health and human service program expenditures for FY22 before and after reclassifications¹⁸ were made (in millions)

Under the new public protection fund structure and classification, three funds had public protection expenditures in FY22: Sheriff's operating levy, enhanced law enforcement district, and the law library fund (Figure 19).

Health and human services expenditures reclassified in fiscal year 2022

County Health Centers include medical and dental clinics, public health services, school-based clinics, and other health care and education services for the community.¹² The Social Services division provides assistance to seniors, people with disabilities, veterans, and low-income residents of the county.¹³ Behavioral Health provides mental health, alcohol and drug treatment services, mental health and addictions clinics, and Oregon Health Plan information.¹⁴ Public Health handles infectious disease control and prevention, healthy places, access to care, environmental health, and more.¹⁵ Children, Family & Community Connections promotes wellness and positive outcomes for county children and families.¹⁶ The mission of the Community Development division is to strengthen and improve neighborhoods throughout the county through the use of federal grants.¹⁷

Due to the change in funding structure and classification in FY22, the aforementioned divisions (i.e., behavioral health, social services,

public health, etc.) were consolidated into the Health, Housing, and Human Services (H3S) Fund. Approximately \$99.9 million were reclassified into the H3S fund (Figure 20)¹⁸. Figure 21 provides a visual of the trend continuation had there been no changes.

¹² Clackamas County [Health Centers](#)

¹³ Clackamas County [Social Services](#)

¹⁴ Clackamas County [Behavioral Health](#)

¹⁵ Clackamas County [Public Health](#)

¹⁶ Clackamas County [Children, Family & Community Connections](#)

¹⁷ Clackamas County [Community Development](#)

¹⁸ The process of regrouping individual function revenue to what it would have been if no reclassifications were made in FY22 involved estimations and professional judgment and therefore were not based on audited amounts

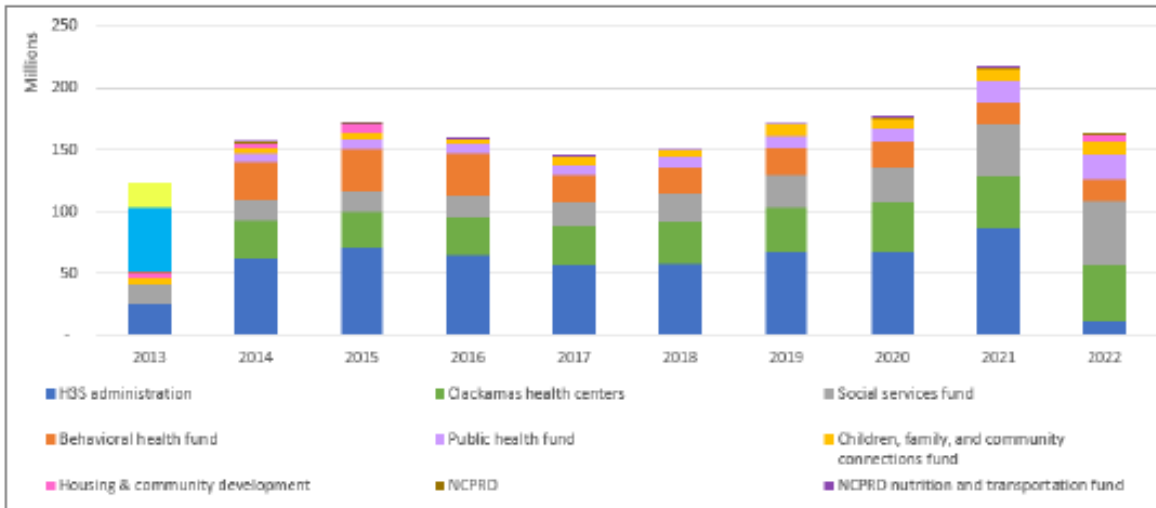


Figure 21 Health and Human Services expenditures if no reclassifications were made in FY22 (in millions, adjusted for inflation)

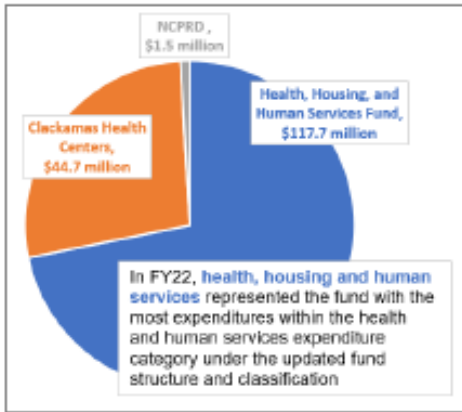


Figure 22 Health and Human Services expenditures by funds under the updated fund structure in millions)

Under the new health and human services fund structure and classification, three funds had health and human service expenditures in FY22: H3S, Clackamas health centers, and North Clackamas parks and recreation (NCPRD) (Figure 22).

Self-insurance strategy has increased internal service fund expenditures

Internal service funds account for services and activities provided by the county for other units primarily within the county (e.g., Human Resources, Finance, etc.). Self-insurance cost accounted for the dental and short-term disability self-insured programs, employee assistance and wellness activities, and flexible spending accounts for health care and dependent care expenses.

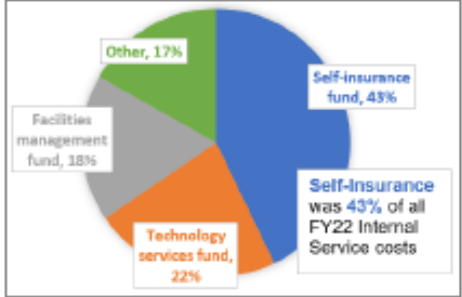


Figure 23 Internal service fund expenditures major program percentages in FY22

In FY22, self-insurance costs were \$31 million and represented 43% of all internal service costs. Technology services and facilities management were the two next largest costs (Figure 23). Removing the impact of the self-insurance fund, internal service costs remained relatively proportionate since FY17 with an averaged 5% increase from FY17 through FY21 (Figure 24). In FY22, self-insurance fund decreased by \$1.1 million and all other internal service fund charges decreased by \$14.9 million.

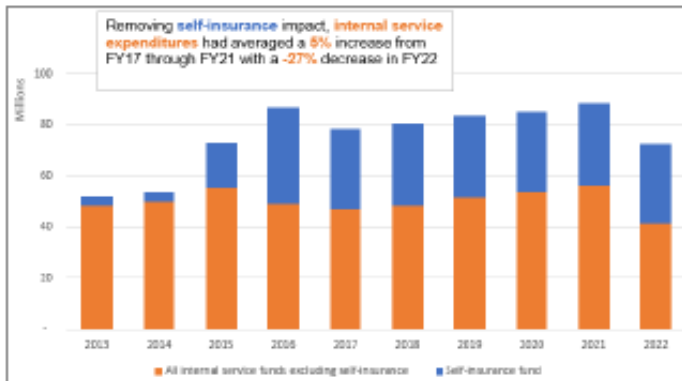


Figure 24 Internal service fund expenditures (in millions, adjusted for inflation)

Number of county employees remained near five per 1,000 residents

The number of county employees and the county overall population both increased, on average, 2.2% annually for the last 10 years. While the distribution of employees among county programs and areas of government fluctuated (Figure 25), the county maintained an average relationship of 5.18 employees to

1,000 county residents since 2012. At the end of 2021, the county employed ~5.55 employees per 1,000 County residents (Figure 26). The fluctuations in the number of full-time equivalent (FTE) employees over the years reflect the county's response to changes in economic factors and funding availability, as well as the demand for county services.

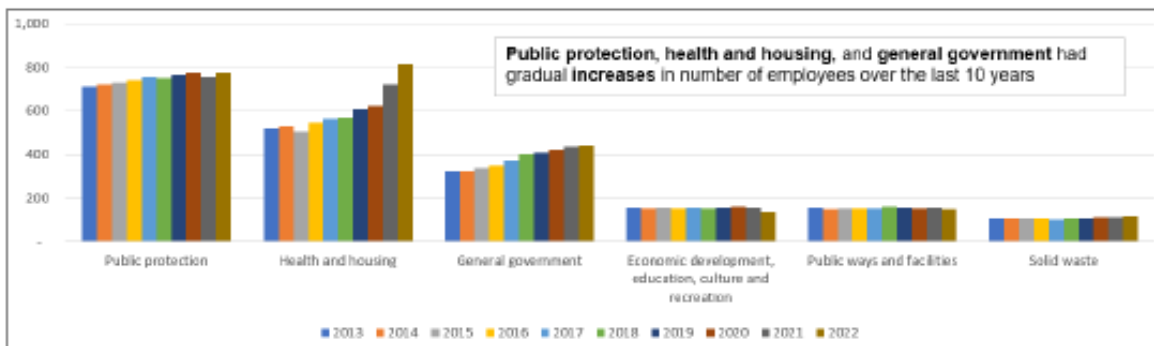


Figure 25 Number of FTE by area of government (does not include temporary employees)

Employee wages, benefits, and other costs continued to increase

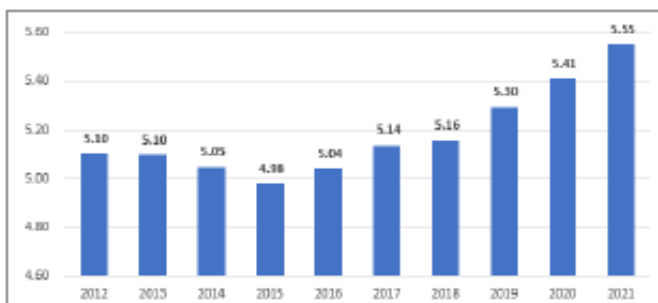


Figure 26 County employees per 1,000 county residents

As the number of employees increased, workforce compensation expenses also increased. Since FY13, annual increase in wages averaged 2%, PERS increase averaged 6%, taxes averaged 12% increase, fringe benefits averaged a 3% decrease, and

other benefits were held relatively stable (Figure 27). It should be noted that due to the change in funding structure and classifications, the tracking of benefit types in the fringe benefits category has changed. The "taxes" category, as of FY22, reflected the following three types of taxes: Employer FICA, Trimet Tax, and Workers Benefit fund.

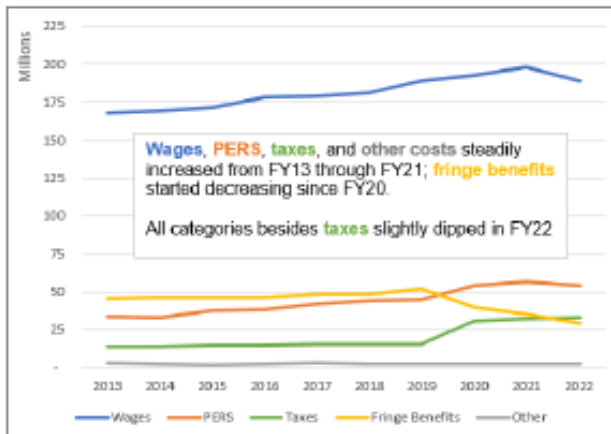


Figure 27 Wages, benefits and other costs (in millions, adjusted for inflation)

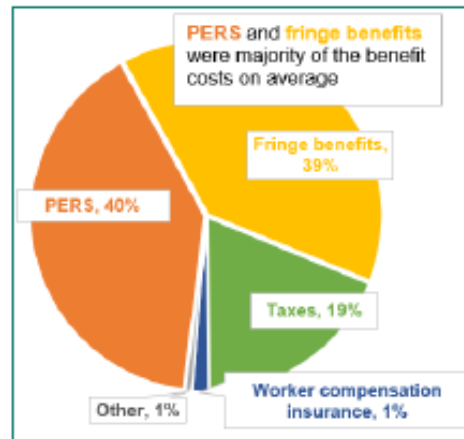


Figure 28 Benefits and other costs FY13 to FY22 average percentage

In FY22, total wages and benefits costs totaled around \$309 million. On average, benefits and other costs accounted for 38% of total workforce compensation expenses. PERS cost and fringe benefits represented majority of these costs (Figure 28).

Increasing expense per capita in the last four years narrowed the savings potential

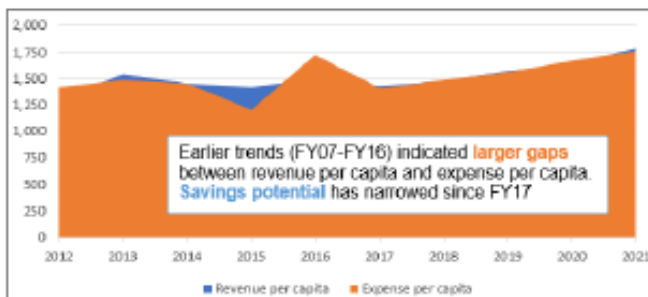


Figure 29 Expenses and revenues per capita (in dollars, adjusted for inflation)

Revenue per capita measures the average revenue earned by the county per person in the county. Expense per capita is the average amount of government spending by the county to provide services to county residents.

In FY16, expenses per person significantly increased due to the *Moro v. State of Oregon* decision and the accrual of pension items. Prior to FY16,

these items were not required to be reported in the county's financials. Earlier trends from FY07 through FY16 indicated larger gaps between revenue per capita and expense per capita. In some years such as FY13 or FY15, there was a savings potential as the revenue per capita was greater than the expense per capita. In other years such as FY12 and FY16, there was a savings shortage as expense per capita was greater than the revenue per capita.

From FY17 to FY21, both revenue per capita and expense per capita averaged an increase of 5.8% and 5.6%, respectively¹⁹. Between FY17 and FY21, a small savings potential existed every other year. In FY21, revenue per capita was \$30 greater than expense per capita, a shift from the year before in which expense per capita was \$35 greater (Figure 29). In the last four years, increase in expense per capita created narrowing savings potential as per capita nets were nearly zero.

¹⁹ Adjusted for inflation

Long-Term Debt

Long-Term Debt Structure

The issuance of long-term debt allows a county to acquire major assets and finance large projects such as buildings, bridges and roads, and jails. The increase in the amount of debt to repay, however, limits the county's ability to react to current economic conditions. Individual state agencies may issue debt for specific purposes pursuant to law, but the total amount of debt a county may incur is generally limited by Oregon state law.

The county's outstanding debt falls into three broad categories

Full Faith and Credit bonds (FFCB) – bonds issued to finance major construction projects. The bonds are backed by the full faith and credit of the county, within the limitations of Article XI of the Oregon Constitution, and are to be repaid from existing revenue sources.

Revenue bonds – bonds issued to pay for projects with specific revenue sources for repayment.

General Obligation (GO) bonds – bonds issued to finance major construction projects in governmental activities. These bonds are general obligations of the county and are also backed by the full faith and credit of the county. Annually, the county will levy to repay these general obligations in addition to other taxes²⁰.

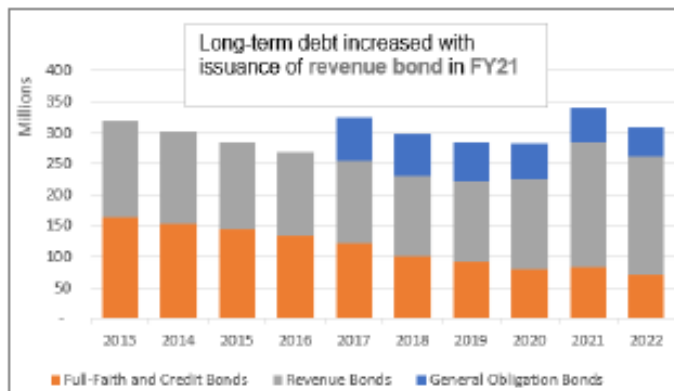


Figure 30 Long-term debt (in millions, adjusted for inflation)

The county's long-term debt had steadily decreased until the GO Bond Series 2016A and 2016B were issued in FY17 for the replacement of the Clackamas 800 Radio Groups' emergency communications system and existing radio coverage expansion. Additionally, Revenue Obligations Series 2021 was issued in FY21 in the amount of \$40 million to finance capital projects and fund a debt service reserve (Figure 30).

Independent assessments of the county's debt health are regularly performed by credit agencies prior to a bond issuance. The county's credit rating continued to improve since the FFCB issue in 2012 when the rating was Aa2 by Moody's. Moody's assigned an Aaa rating, its highest, to the Full Faith and Credit and Refunding Obligations, Series 2020. Moody's also maintained Aaa rating on the county's general obligation unlimited tax bonds and the parity Full Faith and Credit obligations, and a Aa2 ratings on the county's Multifamily Housing Revenue Bonds, Series 2013A (Easton Ridge Apartments Project).

²⁰ Other taxes include ad valorem (general) property taxes, which is a district tax upon all of the taxable property within the County



Total debt per person continued to increase

Total debt per capita is the amount of total debt the county has per person living in the county. The amount of debt per county resident fluctuated over the years with a steady increase since FY19. With the exception of the increase from FY15 to FY16, most increases were associated with bond issuances. The increase in FY16 was mainly

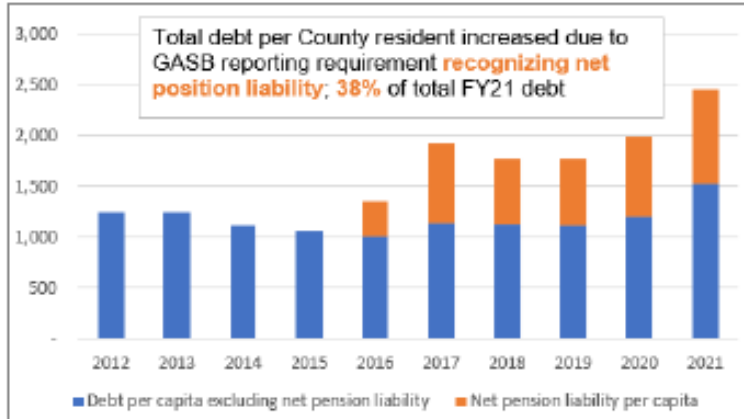


Figure 31 Total debt per county resident (in dollars, adjusted for inflation)

attributed to GASB Statement No. 68 and 71, which required the net pension liability be reported on the Statement of Net Position as a noncurrent liability, increasing liabilities in 2016 by \$111 million. Net pension liability represented 38% of total FY21 debt (Figure 31). These GASB requirements and the *Moro v. State of Oregon* decision also affected pension expense.

Percentage of spending used for debt below benchmark

The amount of total county spending used for debt principal and interest payments as compared to net operating revenues trended downward. For each year analyzed, total spending for debt was below 10%²¹ of net operating revenues, which is considered acceptable and well below a 20%²² warning threshold (Figure 32).



Figure 32 Debt service as a percentage of net operating revenues

In FY23, the county entered into an agreement for the construction of a new courthouse²³ using a public-private partnership. The project value is approximately \$313 million, and funding is through Oregon Courthouse Capital Construction Improvement Fund, the State of Oregon General Fund, the Oregon Judicial Department, and budgeted county general funds.

²¹ Evaluating Financial Condition - A Handbook for Local Government; International City/County Management Association (ICMA), Copyright 2003, Page 83

²² Per ICMA, debt service on net direct debt exceeding 20 percent of operating revenues is considered a potential problem

²³ Clackamas County [Replacement Courthouse Project](#)

Financial Health

Governmental Fund Balance

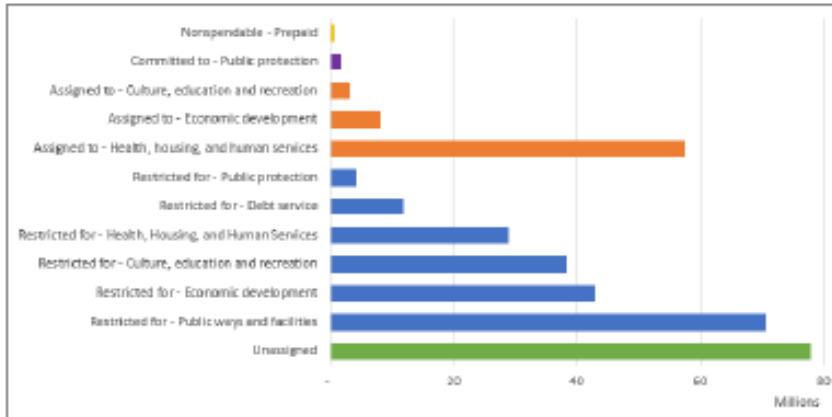


Figure 33 Governmental fund balance in FY22 (in millions)

The county budgets on an annual basis. Accounting standards require governments to report fund balances based upon constraints on the use of the resources reported in the governmental funds (Figure 33). The five fund balance classifications are nonspendable, restricted, committed, assigned and

unassigned. Nonspendable balances are things like inventories. Restricted fund balances identify constraints imposed by state or federal law, the Oregon Constitution, or external parties such as creditors or grantors. Committed balances are constrained through the legislative process. Assigned balances reflect the county's intent to use the funds for specific purposes. Unassigned balances are amounts not otherwise restricted, committed or assigned.

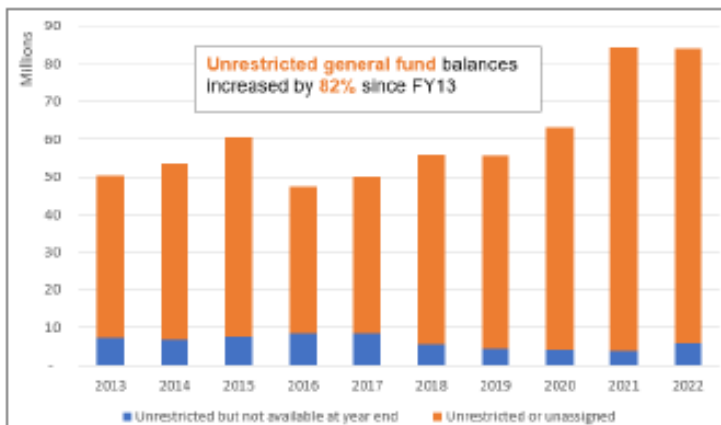


Figure 34 General fund unrestricted balances (in millions, adjusted for inflation)

Unrestricted general fund balances had increased

Unrestricted balances can include unavailable revenue, which are considered unavailable at fiscal-year end and are classified as a receivable due to a delay of when cash is received. Excluded from the balances are items that are considered restricted, assigned, committed, or nonspendable as they are not available for discretionary spending. Since FY13, unrestricted general fund balances increased by 82% (Figure 34).



General fund balance ratio

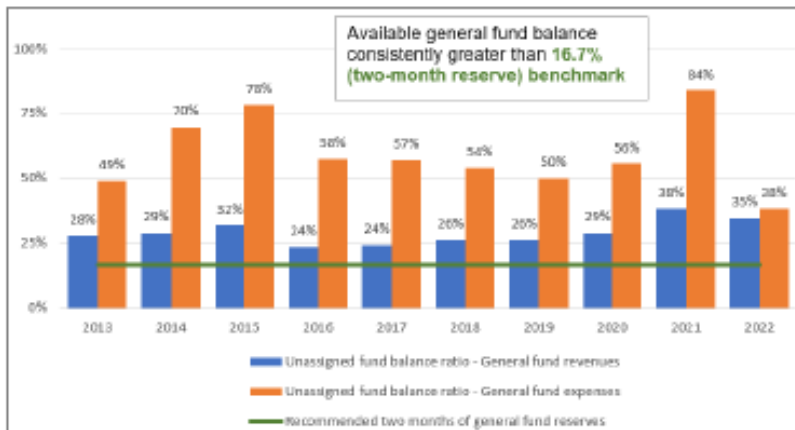


Figure 35 General fund unassigned balances as percentages of general fund revenues and expenses

Fund balance ratios recognize discretionary funds and the county's ability to address one-time funding needs. The GFOA recommends a benchmark of 16.7% (two months) or greater of general fund reserves²⁴. The county has consistently met and exceeded this standard for both general fund revenue and general fund expense fund balance ratios for the last ten years (Figure 35).

What We Own Versus What We Owe

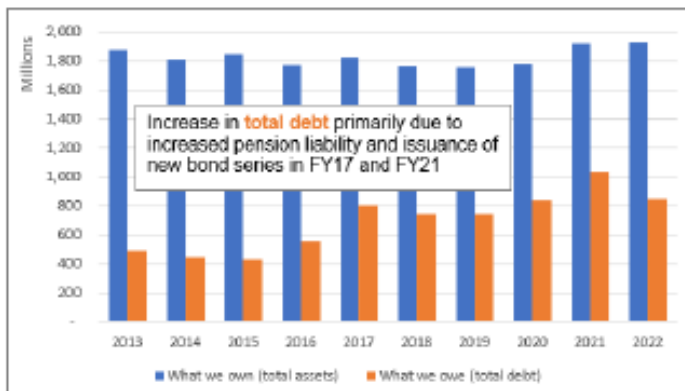


Figure 36 Total assets (net of depreciation) versus total debt (in millions, adjusted for inflation)

Evaluating the short-term and long-term relationships between what is owned and what is owed is critical (Figure 36). The significant increase in net pension liability and the continued depreciated value of capital assets reduced the long-term assets to debt ratio.



Figure 37 Liquidity ratio

Liquidity remained positive

Liquidity is measured by a ratio of current assets to current liabilities. Current assets are those that can be converted into cash or used within 12 months. Current liabilities are bills the county intends to pay within 12 months. A low ratio, below \$1 of assets to \$1 of liabilities is a warning trend. It may indicate a cash flow problem. County liquidity had stayed above the 1:1 recommended ratio for the last ten years (Figure 37).

²⁴ GFOA Fund Balance Guidelines for the General Fund

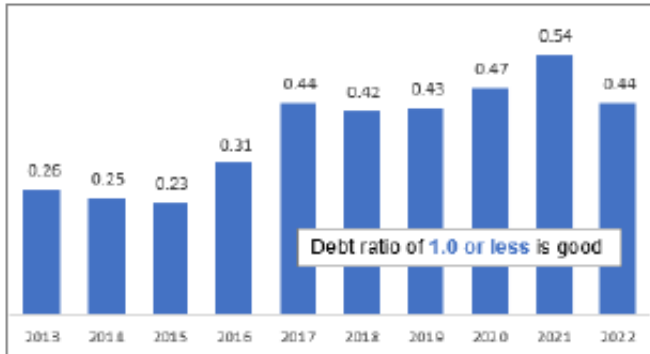


Figure 38 Debt ratio

Debt ratio remained below warning trend

The debt ratio compares total debt to total assets, measuring the proportion of the county's assets financed through debt. The credit industry considers a debt ratio of 1.0 or less to be acceptable. With an averaged debt ratio of 0.46 between FY17 and FY22, Clackamas County has exceeded the industry standard in the last ten years (Figure 38).

Capital Assets Are Getting Old

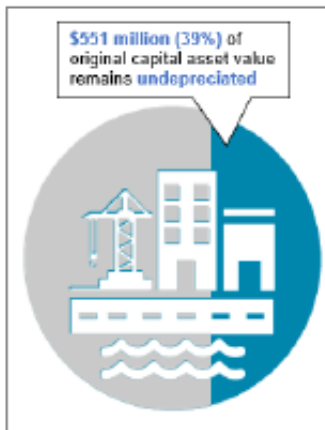


Figure 39 Original value of capital assets (government & business-type activities) being depreciated in FY22, \$1,419MM

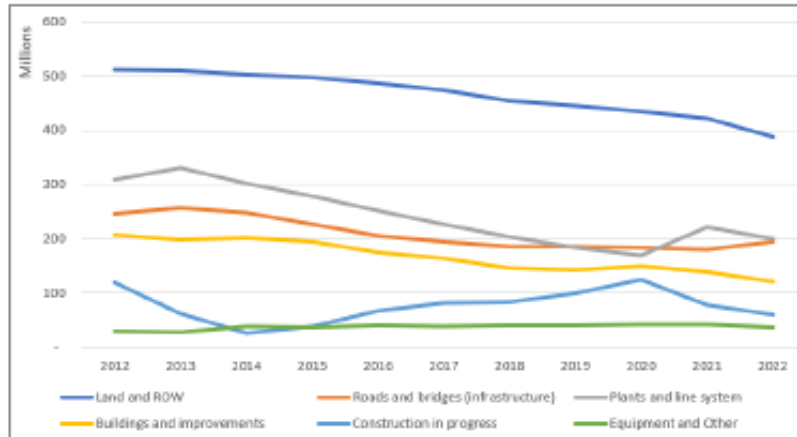


Figure 40 Capital assets, net of accumulated depreciation (in millions, adjusted for inflation)

The county uses physical infrastructure (capital assets), such as streets and buildings, to provide services. The condition of these assets impacts the quality of services residents receive. Good asset management requires investment in regular, preventive maintenance. This increases the life of the asset and reduces costs. Lack of preventative maintenance risks early asset failure and increased expenditures.

Capital assets include land, buildings, equipment, and infrastructure used for county services. Infrastructure includes roads and bridges. Accounting standards require assets to be reported in financial statements at their original cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Depreciable assets are shown net of accumulated depreciation (Figure 40). Nearly all asset categories had a steady decline in value. Of the original cost, \$1,419 million (equivalent to 39%) remained undepreciated (Figure 39).

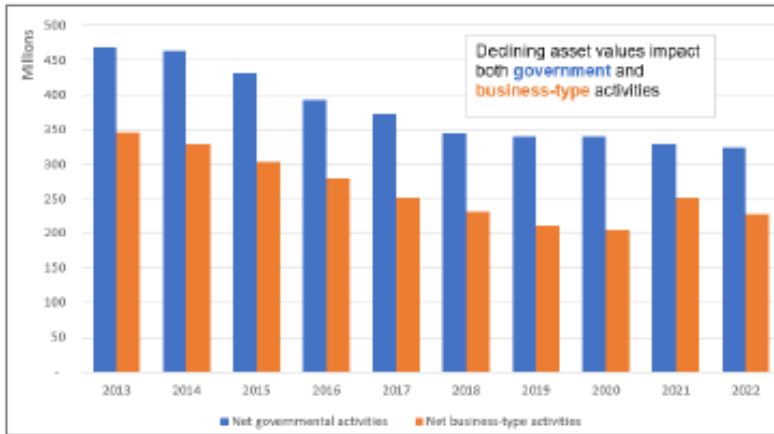


Figure 41 Capital assets, net of depreciation by activity (in millions, adjusted for inflation)

Aging county assets put the county at risk for significant replacement or repair costs, or service disruptions for both government and business-type activities (Figure 41).

The County's Net Position has been Fluctuating

Net position is the difference between what a government owns and what it owes. A

change in net position indicates if the county's financial position improved or declined based on the decisions and actions from the previous year. Between FY13 and FY21, the county's net position for the primary government was slowly decreasing. Some of the reasons for the decline in net position were outside of the county's control. For example, part of the decline was because of changes in policy and assumptions for the state retirement system, PERS (Figure 28). Factors that were the county's responsibility include the inability to make repairs faster than the decline of assets, such as streets, buildings, and other infrastructure (Figure 40).

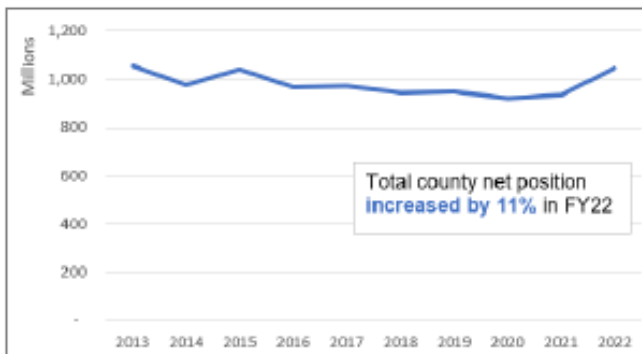


Figure 42 Net position (in millions, unadjusted)

In FY22, the county's net position increased by 11% to \$1,044 million (Figure 42). One reason for this was because of increased total assets of \$152.5 million primarily due to cash from advanced grant funds and capital assets while total liabilities decreased by \$109.8 million due to a reduction in the accounts payable balance, decreased net pension, and other postemployment benefit liabilities.

Demographics

Why are Demographics Important?

Economic and demographic information highlights community needs and resources. Federal and state governments can use some of these indicators as the basis to allocate funding for services.

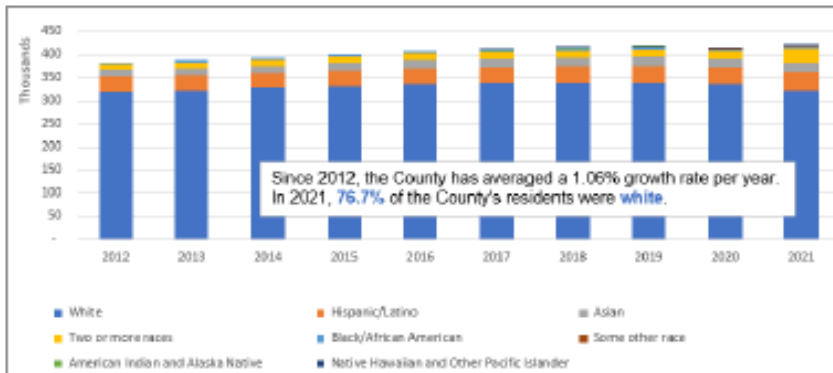


Figure 43 County population (in thousands)

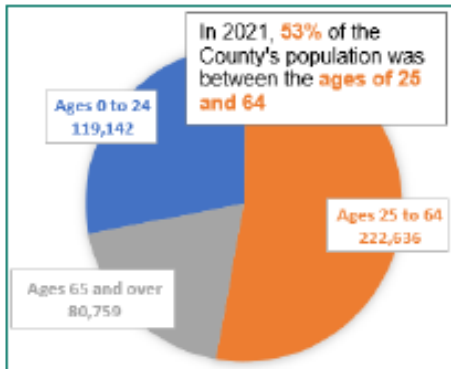


Figure 44 County population by age in 2021

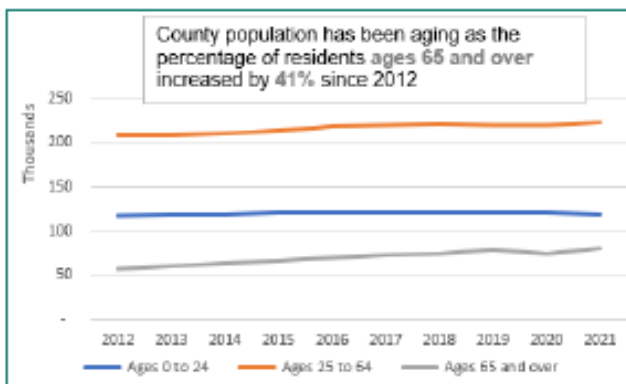


Figure 45 County population by age, 2012 to 2021 (in thousands)

Population increased in recent years

The county's population increased from 384,241 in 2012 to 422,537 in 2021, a 10% increase²⁵. In the last five years, the county's population had averaged a 0.7% growth per year. According to the most recent census

data²⁶, the top five fastest growing cities²⁷ in Oregon (by percent, not count) from 2020 to 2022 are: Estacada (23.3%), Cornelius (13.4%), Redmond (12.9%), Happy Valley (12.5%), and Madras (8.2%).

In 2021, 81% of the county's residents were white (Figure 43)²⁸. Majority of the county's population were between the ages of 25 and 64 (Figure 44) with an aging population. In the last ten years, the percent of residents ages 65 and older had increased by 41% (Figure 45).

Poverty remained low in the county

The poverty percentage indicator measures the number of low-income residents who might utilize county human services and health programs. The poverty line is defined as the minimum level of income necessary to achieve an adequate standard of living.

²⁵ U.S. Census Bureau American Community Survey Demographic and Housing Estimates

²⁶ Portland State University Population Research Center: [Population Estimate Reports](#), April 2023

²⁷ Analysis performed only over cities in Oregon with a population over 5,000. 80 cities were included in this analysis

²⁸ U.S. Census Bureau data for 2020 was based on a 5-year estimate; all other years were based on 1-year estimates

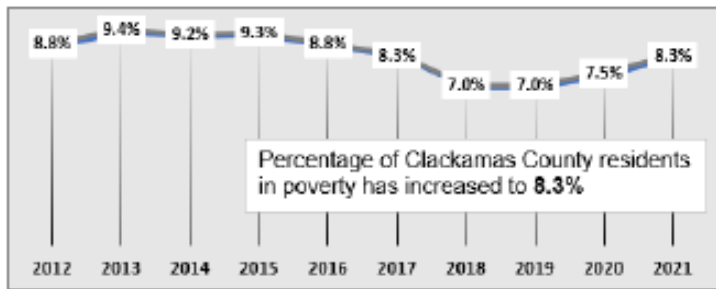


Figure 46 Percentage of county residents experiencing poverty

In 2022, a family of four with two children under two and a gross yearly income of \$29,678 or less would be considered living in poverty²⁹. In 2021, Clackamas County had the second lowest poverty level in Oregon for families at 5.5% and lowest poverty level by population at 8.3% (Figure 46).

The percentage of residents ages 65 and older in poverty had remained relatively stable averaging 7.4% in the last five years. The percentage of residents ages zero to 17 in poverty had increased from 5.9% in 2019 to 9.7% in 2021 (Figure 47).

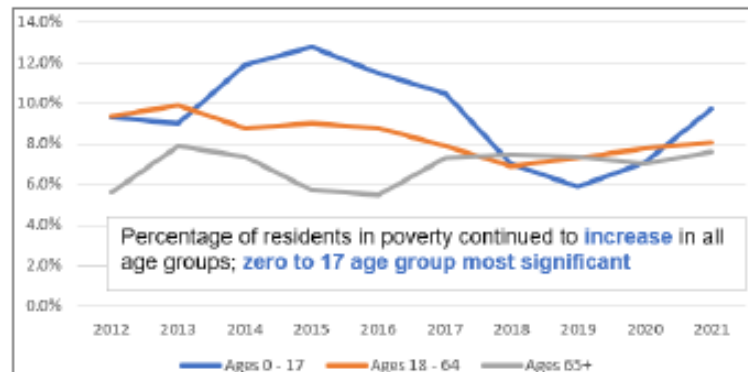


Figure 47 Percentage of county residents experiencing poverty, by age

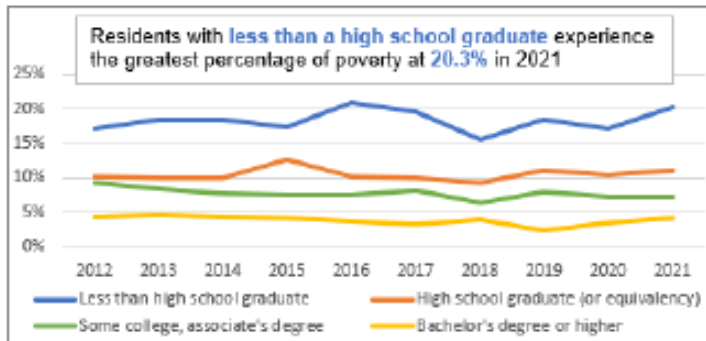


Figure 48 Percentage of county residents experiencing poverty by education level

The percentage of county residents in poverty by education level had remained relatively consistent over the last ten years with the exception to residents with less than a high school graduate (Figure 48). Four percent of county residents with a bachelor's degree or higher experienced poverty.

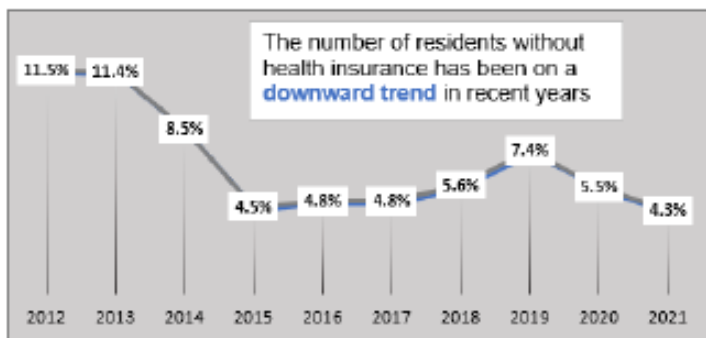


Figure 49 Percentage of county residents without health insurance

Residents without health insurance began to trend downwards

The county provides low-cost healthcare to underserved, low-income and uninsured residents of Clackamas County. The percentage of uninsured county residents continued to trend downwards (Figure 49).

²⁹ U.S. Census Bureau [Poverty Thresholds](#), 2022

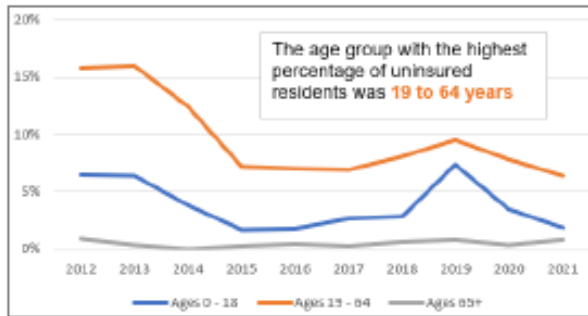


Figure 50 Percentage of residents without health insurance, by age

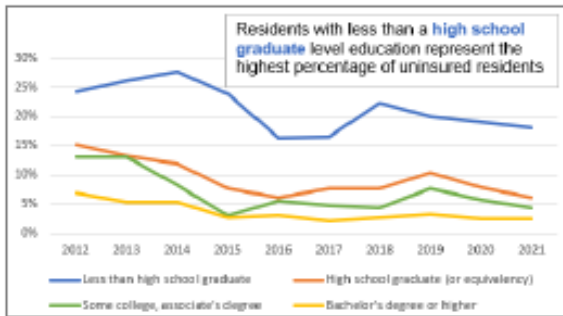


Figure 51 Percentage of residents without health insurance, by education level

Residents between the ages of 19 and 64 represent the age group with the highest percentage of uninsured residents, followed by children under the age of 18 (Figure 50)³⁰. The percentages of both groups have decreased in the last two years.

County residents with less than a high school graduate education represent the highest percentage of uninsured residents (Figure 51). Overall, the general trend was a decrease in percentage of residents without insurance.

³⁰ The US Census Bureau changed the age groups categories in 2017. Age groups changed from 0-17 to 0-18, and 18-64 to 19-64. Figure 50 represents the updated categories.

Economy

Unemployment rates declined after spike in 2020

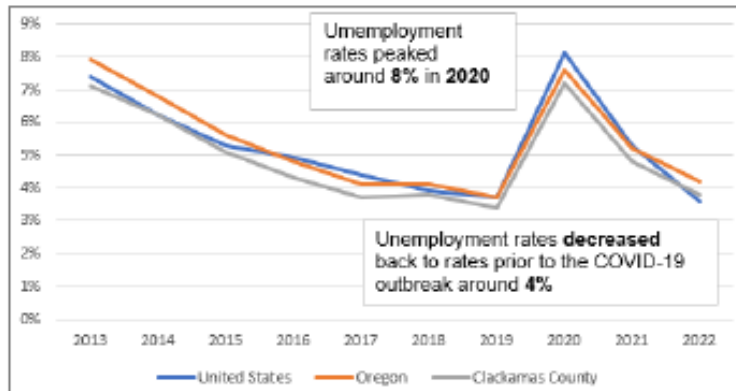


Figure 52 Unemployment rate (seasonally adjusted, calendar year ended December 31)

The unemployment rate measures those who are without employment and are actively seeking employment. The county's unemployment rate has been on a decline since a spike in 2020, which corresponded to the outbreak of COVID-19. County unemployment rates have gone down from 7.2% in 2020 to 3.8% in 2022 (Figure 52), which is slightly below the Oregon rate of 4.2% and below the United States rate of 3.6%.

As of December 2022, Wheeler and Sherman counties have the lowest rates in Oregon at 3.2% and 3.4%, respectively. Grant County and Klamath counties have the highest rates of 6.7% and 6.4%, respectively.³¹

Per capita income continued to steadily grow

Per capita income is considered a major indicator of economic health. Per capita income measures the average income earned per person in the county. In the last ten years, the average annual per capita income in Clackamas County increased approximately 22% (adjusted for inflation). Per capita income in the county was higher than in Oregon or the US (Figure 53).

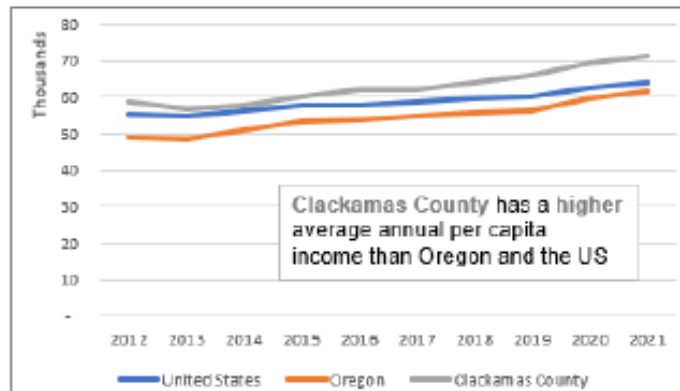


Figure 53 Average annual per capita income (in thousands, adjusted for inflation)

³¹ Oregon Employment Department, Local Area Unemployment tool, Qualityinfo.org

The number of businesses in Clackamas County continued to grow

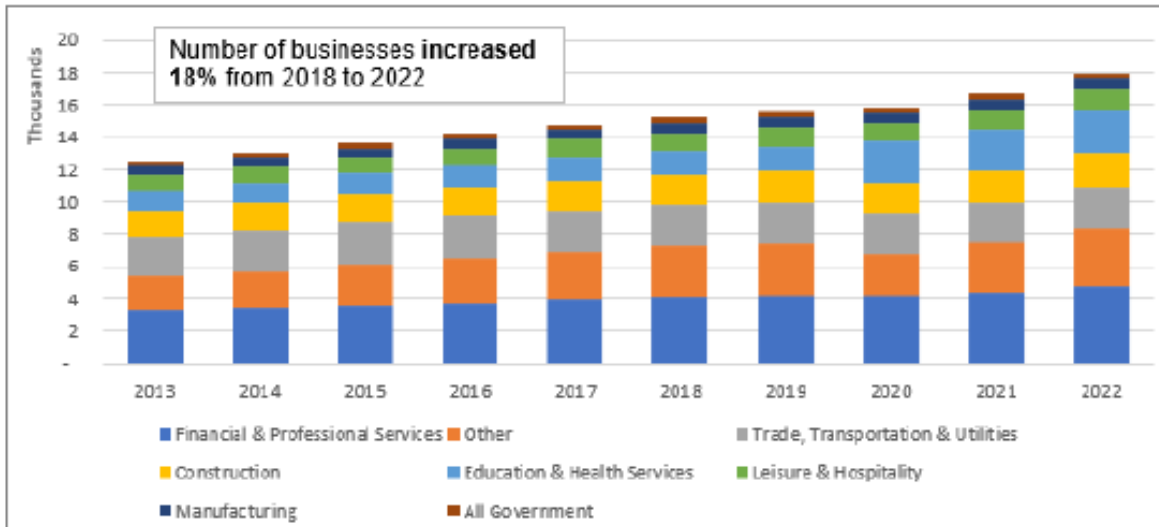


Figure 54 Businesses in Clackamas County by industry

Another indicator of economic health related to the county's revenue base is the number of businesses within the county. In line with the county's population (Figure 43), the number of businesses has continued to grow. In 2022, the county had a reported 17,946 businesses, an 18% increase from 2018 (Figure 54).

Number of jobs provided by employers in Clackamas County increased

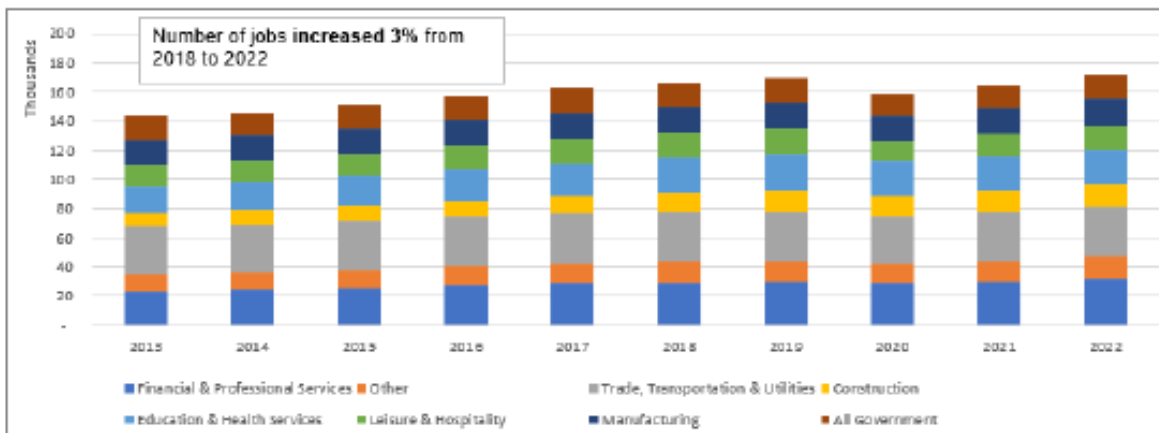


Figure 55 Number of jobs provided by employers in Clackamas County, by industry

The number of jobs (including full-time, part-time, and temporary positions) provided by employers in the county is also an indicator of economic health. From the calendar year 2019 to 2020, the number of jobs decreased with the loss of nearly 10,500 jobs due to the economic downturn. However, the indicator also reflected recent improvements with the addition of almost 12,500 jobs from the calendar year 2020 to 2022 (Figure 55).

The gap widened between real market value and assessed value

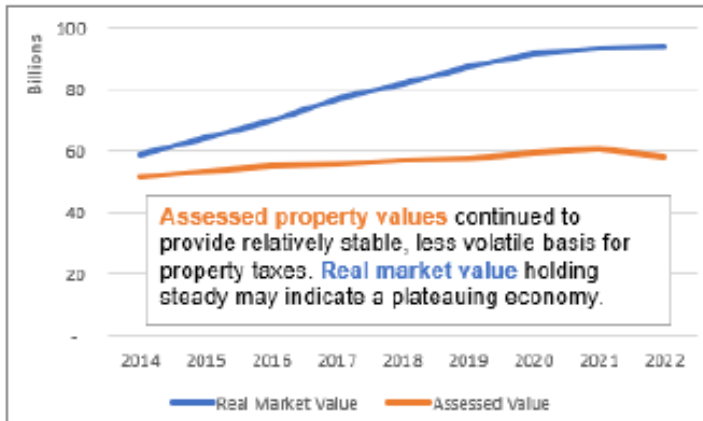


Figure 56 Real market value versus assessed value (in billions, adjusted for inflation)

Real market value serves as one of many indicators of economic health and will experience volatility with the market. Total assessed property values, which are the basis for property taxes, will not experience the same level of volatility as the real market values due to limitations established by several Oregon tax measures³² (e.g., limits on property tax increases). From FY14 to FY19, assessed values increased by 16% and real market values increased by 53% (Figure 56).

New construction continued to fluctuate in the last few years

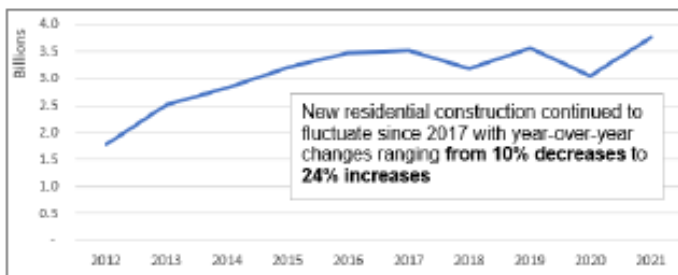


Figure 57 New residential construction in the PMSA (in billions, adjusted for inflation)

New construction figures are based on Primary Metropolitan Statistical Area (PMSA)³³ building permits. The value of new residential construction has fluctuated from calendar years 2017 to 2021. At the lowest during this period, the value of new construction units was \$3.05 billion in 2020; at the highest, the value was \$3.77 billion in 2021³⁴ (Figure 57).

³² Measure 5 (1990), Measure 47 (1996) and Measure 50 (1997)

³³ PMSA counties, as [Metro](#): Clackamas, Columbia, Multnomah, Washington, Yamhill (Oregon); Clark and Skamania (Washington)

³⁴ Adjusted for inflation



Objectives, Scope, and Methodology

In accordance with the Clackamas County 2022 amended internal audit plan, County Internal Audit evaluated the financial condition of Clackamas County as of June 30, 2022. The financial condition of the county's component units or service districts were not included in this evaluation.

This evaluation was designed to provide an update to the 2020 financial condition report issued by the Office of County Internal Audit and to support the county's strategic decision-making abilities through enhanced financial trend analysis. General objectives for the 2022 Financial Condition Assurance Engagement were to:

- independently evaluate the current financial condition of Clackamas County
- provide continuity through an update of the prior financial condition report
- create transparency for the county

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

- used the financial trend monitoring system developed by the International City/County Management Association (ICMA) and documented in its publication, *Evaluating Financial Condition: A Handbook for Local Government*
- reviewed financial indicators suggested by the Government Accounting Standards Board (GASB)
- analyzed results against identified criteria

The data analysis in the report generally covers a ten-year period from fiscal year 2013 through 2022. Unless otherwise indicated, data is presented on a fiscal year basis (e.g., fiscal year 2022 represents July 1, 2021, through June 30, 2022). Financial data is expressed in constant dollars to account for inflation by adjusting dollar amounts from each prior year to equal the purchasing power of money in 2022. Chart titles indicate if amounts have been adjusted for inflation.

Information was reviewed for reasonableness and consistency. Data that was not reasonable or needed additional explanation was questioned and researched. The accuracy of the source documents or the reliability of the data in computer-based systems was not audited. The review of data was not intended to give absolute assurance that all information is free from error. Rather, the intent was to provide reasonable assurance that the reported information presented a fair picture of the county's financial condition. As nearly all financial information presented were from the county's Annual Comprehensive Financial Reports, reliance was placed on the work performed by the county's external financial auditors. Unmodified (clean) opinions were given on all reviewed Annual Comprehensive Financial Reports. While the report offers financial highlights, it does not thoroughly determine the reasons for negative or positive performance. More analysis may be needed to provide such explanations.



About the Office of County Internal Audit

Our Mission – Provide county leadership objective assurance, advice and insight to optimize county efforts and achievements.

Our Vision – The public:

- engages with an accountable, high performing, and transparent local government
- is confident that its interests are protected

Our Strategic Objectives – The Office supports Clackamas County by:

- focusing on risks to county achievement
- promoting continuous improvement
- enhancing accountability and transparency
- fostering county SPIRIT
- building public trust

Our Professional Standards – The Office of County Internal Audit governs itself by adhering to The Institute of Internal Auditors' mandatory guidance, including the:

- definition of internal auditing
- Code of Ethics
- *International Standards for the Professional Practice of Internal Auditing*³⁵

The Office does not fully conform to the *Standards* to the extent the Office has not yet received an external review. Obtaining an external peer review is one of the Office's performance goals.

Our Independence – The County Internal Auditor reports functionally to the Internal Audit Oversight Committee and administratively to the elected County Treasurer. This authority ensures the Office is free of undue influence.

Our Team –

Jodi Cochran, CPA, CIA, CGMA, CRMA, County Internal Auditor
Kathy Yeung, CPA, Senior Internal Auditor

Contact Us –

Office of County Internal Audit
2051 Kaen Road #460
Oregon City, OR 97045
Office: 503-742-5983
ocia@clackamas.us

³⁵ <https://na.theiia.org/standards-guidance/mandatory-guidance/pages/standards.aspx>

Clackamas County
Internal Audit Oversight Committee
Meeting Materials
Wednesday, October 11, 2023

Item #5
Civil Rights: Title VI Public Notification
and Complaint Management –
Management Letter Presentation



Civil Rights: *Title VI Public Notification and Complaint Management*

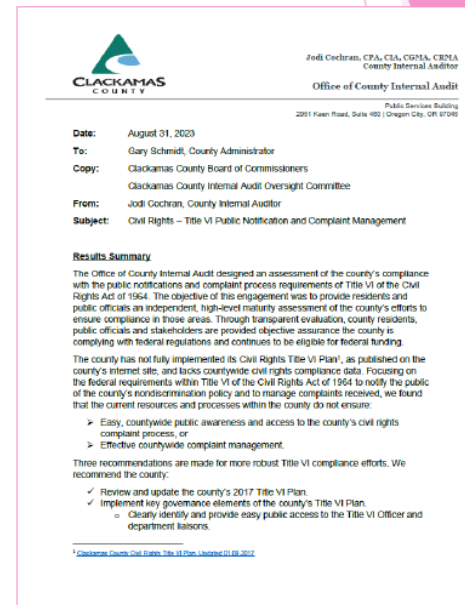
Management Letter by the Office of County Internal Audit

1

Why the Audit is Important

Compliance with federal regulation ensures eligibility for current and future federal funding.

- ▶ The county must meet nondiscrimination requirements to be eligible for federal funding.
- ▶ The Department of the Treasury may conduct reviews with the county to verify compliance with civil rights regulatory requirements.
- ▶ The county's civil rights complaint processes should be accessible and recognizable by county residents and stakeholders.



What We Found

The county has not fully implemented its Civil Rights Title VI Plan and lacks countywide civil rights compliance data.

- ▶ Current resources and processes within the county do not ensure:
 - ▶ Easy, countywide public awareness and access to the county's civil rights complaint process
 - ▶ Effective countywide complaint management
- ▶ The following items are not readily available or could not be located for review:
 - ▶ Registry and contact information of department liaisons
 - ▶ Department accomplishment reports
 - ▶ Annual department reports of Title VI compliance activities
 - ▶ Public signage with reference to the county's nondiscrimination policy or how to file a Title VI complaint
- ▶ Only one department identified the department civil rights coordinator on their public-facing website
- ▶ Public users must click through four consecutive links to access the county's Title VI Plan

What We Recommend

Three recommendations made for more robust Title VI compliance efforts.

1

Review and update the county's 2017 Title VI Plan.

2

Implement key governance elements of the county's Title VI Plan.

- Clearly identify and provide easy public access to the Title VI Plan.
- Develop and enhance countywide public notification standards.
- Clearly identify and provide easy public access to the civil rights complaint process.
- Consistently collect and report countywide civil rights complaint data.

3

Develop a plan to fully implement, sustain and monitor the county's Title VI Plan countywide.

What is Being Done

County Administration has agreed with all three recommendations.

- ▶ Management has acknowledged the potential risks and agreed to implement mitigating actions.
- ▶ No specific implementation details have been provided for each individual recommendation.
- ▶ The Office of County Internal Audit will revisit the engagement and conduct a program status update review.

Clackamas County
Internal Audit Oversight Committee
Meeting Materials
Wednesday, October 11, 2023

Item #6
Civil Rights – Title VI Public Notification
and Complaint Management,
Management Letter #2022-04



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

Office of County Internal Audit

Public Services Building
2051 Kaen Road, Suite 460 | Oregon City, OR 97045

Date: August 31, 2023
To: Gary Schmidt, County Administrator
Copy: Clackamas County Board of Commissioners
Clackamas County Internal Audit Oversight Committee
From: Jodi Cochran, County Internal Auditor
Subject: Civil Rights – Title VI Public Notification and Complaint Management

Results Summary

The Office of County Internal Audit designed an assessment of the county's compliance with the public notifications and complaint process requirements of Title VI of the Civil Rights Act of 1964. The objective of this engagement was to provide residents and public officials an independent, high-level maturity assessment of the county's efforts to ensure compliance in those areas. Through transparent evaluation, county residents, public officials and stakeholders are provided objective assurance the county is complying with federal regulations and continues to be eligible for federal funding.

The county has not fully implemented its Civil Rights Title VI Plan¹, as published on the county's internet site, and lacks countywide civil rights compliance data. Focusing on the federal requirements within Title VI of the Civil Rights Act of 1964 to notify the public of the county's nondiscrimination policy and to manage complaints received, we found that the current resources and processes within the county do not ensure:

- Easy, countywide public awareness and access to the county's civil rights complaint process, or
- Effective countywide complaint management.

Three recommendations are made for more robust Title VI compliance efforts. We recommend the county:

- ✓ Review and update the county's 2017 Title VI Plan.
- ✓ Implement key governance elements of the county's Title VI Plan.
 - Clearly identify and provide easy public access to the Title VI Officer and department liaisons.

¹ [Clackamas County Civil Rights Title VI Plan, Updated 01.09.2017](#)

- Develop and enhance countywide public notification standards.
- Clearly identify and provide easy public access to the civil rights complaint process.
- Consistently collect and report countywide civil rights complaint data.
- ✓ Develop a plan to fully implement, sustain and monitor the county’s Title VI Plan countywide.

Detailed recommendations are presented in the attached recommendations table.

Background

There are a number of federal laws addressing civil rights and prohibiting various types of discrimination. While not an exhaustive list, the county’s 2017 Civil Rights Title VI Plan identifies 11 federal nondiscrimination statutes² and seven federal nondiscrimination executive orders³, as well as two selected Oregon Revised Statutes⁴, which impact county operations and service delivery.

The Civil Rights Act of 1964 is among the most prominent federal authority. To be eligible for federal funding, the county must meet the requirements of this law and others relating to nondiscrimination and nondiscriminatory use of federal funds.

The Civil Rights Act of 1964 was signed into law to prohibit discrimination on the basis of race, color, religion, sex, or national origin in public spaces and facilities, and prohibited employment discrimination. Title VI, as part of the Civil Rights Act of 1964, “prohibits discrimination on the basis of race, color, and national origin in programs and activities receiving federal financial assistance”⁵. The term “program or activity” is broadly defined by the United States Code. To implement Title VI, virtually every executive agency that grants federal financial assistance has promulgated Title VI compliance regulations.⁶ The county is potentially subject to various nondiscrimination compliance regulations, some countywide while others are more isolated to a specific program. The



Figure 1 Relationship between Title VI and other civil rights laws – not a complete population of laws; Figure designed by the Office of County Internal Audit based on Federal Highway Administration original image.

² Title VI of the 1964 Civil Rights Act; Age Discrimination Act of 1975; Uniform Relocation Assistance & Real Property Acquisition Policies Act of 1970; Federal-aid Highway Act; 1973 Federal-aid Highway Act; Civil Rights Restoration Act of 1987; Uniform Relocation Act Amendments of 1987; Americans with Disabilities Act; Civil Rights Act of 1991; Title VIII of the 1968 Civil Rights Act; National Environmental Policy Act of 1969
³ Executive Orders 12250, 12259, 12292, 12898, 13160, 13166, 13175
⁴ ORS 659A.030, ORS 659A.403
⁵ U.S. Department of Justice Civil Rights Division [Title VI of the Civil Rights Act of 1964](#)
⁶ Federal Register, Notice by the Justice Department, [8/16/2000](#)

county's Title VI Plan states, "All programs of Clackamas County are subject to [the] policy regardless of funding source."

The United States Department of the Treasury has established implementing regulations that prohibit recipients of federal financial assistance from the Department of the Treasury from denying benefits or services, or otherwise discriminate on the basis of race, color, national origin (including limited English proficiency), disability, age, or sex (including sexual orientation and gender identity). When receiving federal funds from, or made available through, the Treasury, the county is required to provide written assurances of compliance with civil rights requirements.

The United States Department of the Treasury's "Assurances of Compliance with Civil Rights Requirements" document defines 10 assurances which "apply to all of the operations of the Recipient's program(s) and activity(ies), so long as any portion of the Recipient's program(s) or activity(ies) is federally assisted..." Assurance number eight states:

"Recipient shall maintain a complaint log and inform the Department of the Treasury of any complaints of discrimination on the grounds of race, color, or national origin, and limited English proficiency covered by Title VI of the Civil Rights Act of 1964 and implementing regulations and provide, upon request, a list of all such reviews or proceedings based on the complaint, pending or completed, including outcome. Recipient also must inform the Department of the Treasury if Recipient has received no complaints under Title VI."

The Department of the Treasury conducts compliance reviews of its recipients to verify compliance with civil rights regulatory requirements. If voluntary compliance cannot be achieved, the Department can defer action on an application for federal funding assistance, issue a cautionary letter, deny funding, or refer the matter to the Department of Justice for other action as authorized by law.⁷

Between July 1, 2021, and June 30, 2022, the county expended nearly \$139 million in federally awarded funds and passed over \$14 million onto subrecipients. This amount will increase over the next few years as county expenditures relating to COVID-19 federally funded response, relief and recovery activities continue. The American Rescue Plan Act (ARPA) federal assistance received by the county in 2021 and 2022 represents only a portion of the COVID-19 federal awards received and anticipated. According to the audited Schedule of Expenditures of Federal Awards for the fiscal year ended June 30, 2022, the county had spent only a fraction of the \$81.1 million ARPA assistance received by the county. The United States Department of the Treasury administers funds allocated by the American Rescue Plan Act.

⁷ US Department of the Treasury Civil Rights Toolkit, May 2022

Scope

The previous image, *Figure 1*, demonstrates how nondiscrimination laws, regulations, policies and programs create a broad umbrella. However, only a limited number of nondiscrimination laws and regulations were included and many more exist which the county may be subject to. This engagement focused on an auditable subset of these elements. While narrowly focused, observations and recommendations generated during this engagement support the county’s ability to meet the nondiscrimination regulatory and operational expectations, as a whole.

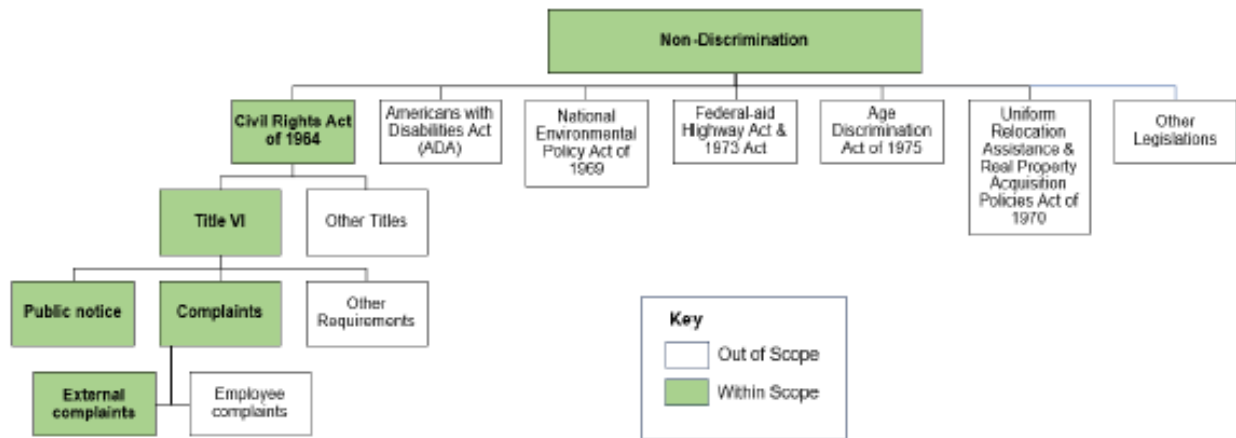


Figure 2 Nondiscrimination elements within the scope of the Office of County Internal Audit Civil Rights Compliance assurance engagement; Figure designed by the Office of County Internal Audit

The original scope of this engagement was designed to assess the county’s civil rights compliance program maturity level with respect to the county’s public notice and complaint processes. Three engagement questions were posed:

- Are the county principles of nondiscrimination and its civil rights complaint process accessible and recognizable by county residents and other stakeholders?
- Does the county’s civil rights complaint process ensure effective complaint management?
- Do the current nondiscrimination principles and complaint processes ensure equitable access to services or service delivery?

The assessment activities attempted to evaluate:

- ✓ Public notices made available during the period of January 2022 through fieldwork (June 2023), and
- ✓ Title VI of the Civil Rights Act of 1964 complaints received by the county during the period of January 2018 through January 2023.

The engagement did not attempt to address or validate the specific resolutions of individual complaints received.

Prior and existing activities were considered in scoping this engagement. An internal audit was conducted in 2018 that assessed the county's Human Resources complaint investigation processes. Current county efforts are assessing and developing the county's ability to provide services to clients with limited English proficiency. Thus, in answering the three engagement questions, the engagement also did not:

- ✓ Address Equal Employment Opportunity complaints or internal civil rights complaint procedures.
- ✓ Review the effectiveness of the county's approach to providing services to clients with limited English proficiency.

The scope and methodology of this engagement was refined during our fieldwork due to the limited implementation of the county's Title VI Plan and the lack of data demonstrating the county's compliance with this Plan. Our recommendations reflect a need for the county to take the actions previously identified in its 2017 Title VI Plan. Additionally, due to the significant COVID-19 federal assistance received by the county from the United States Department of the Treasury, the primary criteria applied as part of this revised scope was the Department of the Treasury's Title VI implementation regulations – including, the Department's "Assurances of Compliance with Civil Rights Requirements" document.

Communication Protocols

As the County Administrator, you are receiving this management letter and are responsible for any formal response to the engagement results. The Board of County Commissioners is 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. All formally submitted management responses to the recommendations made will be included with any published management letter.

Next Steps

You are encouraged to take the recommended actions. Recommendations resulting from management letters 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 September 30, 2023. 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 2023 County Internal Audit monitoring activities are scheduled to start in November 2023.

I am happy to address questions regarding this 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 evaluation, county residents, public officials and stakeholders are provided objective assurance the county is complying with federal regulations and continues to be eligible for federal funding.

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

ATTACHMENT A: RECOMMENDATIONS FOR IMPROVEMENT

CIVIL RIGHTS PROGRAM – RECOMMENDATIONS FOR IMPROVEMENT			
Item #	Recommendation	Observations	Management Response – To be completed by management
1	Review and update the county’s Title VI Plan. Clearly establish position authority for plan implementation and management.	<p>The county’s Title VI Plan is more than 6.5 years old, last updated in January 2017. Demonstrated implementation of the county’s Title VI Plan is limited.</p> <p>The Plan objectives and governance structures may no longer be adequate; reflective of changes in federal, state and local nondiscrimination regulations; or representative of the county’s Title VI compliance approach. This increases the risk that the county may lose state and federal funding.</p> <p>While the Plan states the "administration of the Clackamas County’s Civil Rights Title VI Program of this plan is housed with the County’s Title VI Officer," a team - "a collaboration of County Administration, County Legal Counsel and Finance" - is assigned the authority to conduct three key prescribed activities:</p> <ol style="list-style-type: none"> 1. "Approve updates to the County Title VI Plan as needed and/or required." 2. "Ensure coordination of Accomplishment Reports." 3. "Review and ensure resolution of Title VI Complaints received by the County." <p>Clear position authority and responsibility will enhance accountability.</p>	<p>Please answer the following questions:</p> <p>Does management agree or disagree with the recommendation?</p> <p>If management agrees:</p> <p>What action will be taken to address the recommendation and resolve the condition?</p> <p>Who will be responsible for taking this action?</p> <p>When will the action be complete?</p>

ATTACHMENT A: RECOMMENDATIONS FOR IMPROVEMENT

CIVIL RIGHTS PROGRAM – RECOMMENDATIONS FOR IMPROVEMENT			
Item #	Recommendation	Observations	Management Response – To be completed by management
2	Implement key governance elements of the county's Title VI Compliance Plan.		
2a	Coordinate with every department director and elected official to identify and maintain a registry of the department contact and Title VI liaison for each department or elected office.	<p>The county's Title VI Compliance Plan, last updated in January 2017, establishes a governance structure which assigns responsibilities for ensuring compliance with Title VI. The defined roles and responsibilities include a Title VI Officer and department liaisons.</p> <p>The county's Title VI Plan's Policy Statement indicates all county programs are subject to the policy regardless of funding source.</p> <p>No registry of department liaisons could be located for review.</p> <p>Contact information for a department liaison within every county department or office is not readily available.</p> <p>Consistently meeting the expectation of the county's Title VI Compliance Plan is unlikely without consistent and available resources to train and coordinate with.</p>	<p>Please answer the following questions:</p> <p>Does management agree or disagree with the recommendation?</p> <p>If management agrees:</p> <p>What action will be taken to address the recommendation and resolve the condition?</p> <p>Who will be responsible for taking this action?</p> <p>When will the action be complete?</p>

ATTACHMENT A: RECOMMENDATIONS FOR IMPROVEMENT

CIVIL RIGHTS PROGRAM – RECOMMENDATIONS FOR IMPROVEMENT			
Item #	Recommendation	Observations	Management Response – To be completed by management
2b	Clearly post and maintain contact information for the Title VI Officer and the department Title VI liaisons on the county's Civil Rights internet site.	<p>A review of the public websites for 22 county departments and offices indicated one department, Transportation and Development, identified the department civil rights coordinator (liaison) and provided contact information. None of the department websites reviewed explicitly provided the county Title VI Officer contact information or a link to the county's Title VI Plan.</p> <p>While all county webpages have a footer shortcut, "Civil Rights, Equity and Workforce Character," a public user must follow four consecutive links to gain access to the county's Title VI Plan document. The Title VI Officer's contact information is on page 3 of the pdf document. There is no contact information for individual department liaisons within the county's Title VI Plan.</p> <p>While difficult to locate, the response time to an inquiry sent to the provided Title VI Officer contact email address was commendable. The Equity and Inclusion Office received the test email and responded within less than one hour.</p> <p>Without easily accessible contact information, the public's ability to notify the county of a civil rights complaint and the county's ability to respond are impaired.</p>	<p>Please answer the following questions:</p> <p>Does management agree or disagree with the recommendation?</p> <p>If management agrees:</p> <p>What action will be taken to address the recommendation and resolve the condition?</p> <p>Who will be responsible for taking this action?</p> <p>When will the action be complete?</p>

ATTACHMENT A: RECOMMENDATIONS FOR IMPROVEMENT

CIVIL RIGHTS PROGRAM – RECOMMENDATIONS FOR IMPROVEMENT			
Item #	Recommendation	Observations	Management Response – To be completed by management
2c	Provide overview training of the key roles and responsibilities, as stated in the county's Title VI Plan, to all Title VI liaisons.	<p>Site-visits of public-facing county departments demonstrated a general lack of familiarity with the county's or department's civil rights complaint process.</p> <p>The Plan states, "The County will undertake the following activities...Conducting or facilitating training programs on Title VI issues and regulations for County employees and ensuring Title VI training is provided for contractors and subrecipients."</p> <p>Without identified and adequately trained internal resources, the county's ability to ensure adequate public notification of the county's federal obligations and complaint processes is limited. Additionally, the county's ability to provide consistent and effective complaint intake and management is weakened.</p>	<p>Please answer the following questions:</p> <p>Does management agree or disagree with the recommendation?</p> <p>If management agrees:</p> <p>What action will be taken to address the recommendation and resolve the condition?</p> <p>Who will be responsible for taking this action?</p> <p>When will the action be complete?</p>
2d	Establish, and implement countywide, minimum public notice standards to support departments and ensure adequate public notification of the county's federal obligations and complaint processes, including posting of written	A review of the public websites for 22 county departments and offices indicated one division of one department, Transportation and Development's Code Enforcement, included a nondiscrimination statement or a reference to the county's nondiscrimination policy statement on its public meeting notices or agendas.	<p>Please answer the following questions:</p> <p>Does management agree or disagree with the recommendation?</p> <p>If management agrees:</p>

ATTACHMENT A: RECOMMENDATIONS FOR IMPROVEMENT

CIVIL RIGHTS PROGRAM – RECOMMENDATIONS FOR IMPROVEMENT			
Item #	Recommendation	Observations	Management Response – To be completed by management
	<p>notices in county public facilities and on websites.</p>	<p>Informal site-visits of public spaces throughout county facilities noted no public signage with reference to the county’s nondiscrimination policy or how to file a Title VI complaint.</p> <p>No evidence the county’s Title VI Policy Statement being published annually in newspapers or informational brochures could be located for review.</p> <p>Without implementation of minimum communication standards, defining criteria and roles, the county’s ability to ensure consistent and adequate public notification of the county’s federal obligations and complaint processes, and its support of individual departments, is limited.</p> <p>The county’s Title VI Compliance Plan states, “The county will use nondiscrimination notices to notify the public of the protections provided by Title VI and related statutes.” “Title VI nondiscrimination notices should be included in all applicable Department or project documents and public meeting materials.”</p> <p>Appendix 5: Sample Nondiscrimination Notices of the county’s Title VI Compliance Plan provides sample verbiage for general public and email notices.</p>	<p>What action will be taken to address the recommendation and resolve the condition?</p> <p>Who will be responsible for taking this action?</p> <p>When will the action be complete?</p>

ATTACHMENT A: RECOMMENDATIONS FOR IMPROVEMENT

CIVIL RIGHTS PROGRAM – RECOMMENDATIONS FOR IMPROVEMENT			
Item #	Recommendation	Observations	Management Response – To be completed by management
2e	Enhance the complaint management processes to include a standardized complaint form and a standardized complaint log.	<p>No countywide complaint log could be located for review.</p> <p>A complete and accurate countywide complaint log would serve as documentary evidence should the Department of the Treasury, or other agencies, request the county to verify compliance with Title VI.</p> <p>Incomplete or inaccurate complaint data limits the county’s ability to respond to and analyze countywide complaint activity or its performance in addressing Title VI complaints.</p> <p>Appendix 6: Title VI Complaint Procedure and Form of the county’s Title VI Compliance Plan addresses filing, processing, dismissing, investigating and tracking, and appealing a Title VI complaint. The Plan establishes “clear procedures for filing, investigating, and successfully resolving complaints on a timely basis and at the lowest level possible.” While both are referenced in the Plan, no standard tracking procedure is established nor is a standard complaint form provided.</p> <p>The United States Department of the Treasury’s “Assurances of Compliance with Civil Rights Requirements” document, required to receive the</p>	<p>Please answer the following questions:</p> <p>Does management agree or disagree with the recommendation?</p> <p>If management agrees:</p> <p>What action will be taken to address the recommendation and resolve the condition?</p> <p>Who will be responsible for taking this action?</p> <p>When will the action be complete?</p>

ATTACHMENT A: RECOMMENDATIONS FOR IMPROVEMENT

CIVIL RIGHTS PROGRAM – RECOMMENDATIONS FOR IMPROVEMENT			
Item #	Recommendation	Observations	Management Response – To be completed by management
		<p>Treasury’s federal assistance distributions, defines 10 assurances. Assurance #8 states:</p> <p>“Recipient shall maintain a complaint log and inform the Department of the Treasury of any complaints of discrimination on the grounds of race, color, or national origin, and limited English proficiency covered by Title VI of the Civil Rights Act of 1964 and implementing regulations and provide, upon request, a list of all such reviews or proceedings based on the complaint, pending or completed, including outcome. Recipient also must inform the Department of the Treasury if Recipient has received no complaints under Title VI.”</p>	
2f	<p>Coordinate annual reporting of department and countywide compliance with the county’s Title VI Plan, including, among other data points, confirming liaison contact information and training, adequacy of public notices, and submittal of complaint log.</p>	<p>No department Accomplishment Reports, or annual department reports of Title VI compliance activities, could be located for review.</p> <p>A complete and accurate annual reporting of department compliance activity would serve as documentary evidence should the Department of the Treasury, or other agencies, request the county verify compliance with Title VI.</p> <p>The county may lose state and federal funding.</p>	<p>Please answer the following questions:</p> <p>Does management agree or disagree with the recommendation?</p> <p>If management agrees:</p> <p>What action will be taken to address the</p>

ATTACHMENT A: RECOMMENDATIONS FOR IMPROVEMENT

CIVIL RIGHTS PROGRAM – RECOMMENDATIONS FOR IMPROVEMENT			
Item #	Recommendation	Observations	Management Response – To be completed by management
		<p>Incomplete or inaccurate compliance activity data limits the county’s ability to respond to and analyze countywide Title VI compliance.</p> <p>The county’s Title VI Plan states the county is responsible for the "coordinating Accomplishment Reports as required by federal agencies and desired by the county." Additionally, the Plan states: "To comply with Title VI, departments are responsible for submitting an annual review to the Governance Team of department compliance including complaint, environmental justice, LEP, and public involvement activities."</p> <p>The Governance Team "ensures coordination of Accomplishment Reports."</p> <p>No records or evidence of official Governance Team activity (meetings, document reviews, decisions) could be located for review.</p>	<p>recommendation and resolve the condition?</p> <p>Who will be responsible for taking this action?</p> <p>When will the action be complete?</p>
3	Develop a strategic plan, including milestones and timelines, to fully implement, sustain and monitor the Title VI Plan countywide - specifically addressing public notices, staff training and reporting.	<p>The county's 2017 Title VI Plan defines "Implementation and Next Steps." Three of the activities, specifically related to the engagement scope (public notices, staff training, and reporting), have not been fully implemented.</p> <p>✓ "Inform the public about the rights provided in this Title VI Plan. Post nondiscrimination</p>	<p>Please answer the following questions:</p> <p>Does management agree or disagree with the recommendation?</p> <p>If management agrees:</p>

ATTACHMENT A: RECOMMENDATIONS FOR IMPROVEMENT

CIVIL RIGHTS PROGRAM – RECOMMENDATIONS FOR IMPROVEMENT			
Item #	Recommendation	Observations	Management Response – To be completed by management
		<p>policy and notices prominently so the public has adequate information about the civil rights protections. Disseminate information about civil rights complaint process.</p> <ul style="list-style-type: none"> ✓ Train county staff on the requirements and expectations of this Title VI Plan. ✓ Develop a system of reporting to meet federal and any other reporting requirements." <p>Without intentional effort and accountability measures, the county's Title VI Plan will not be fully implemented or adequately serve the county in meeting its legal requirements and overall civil rights goals.</p> <p>The county may lose state and federal funding.</p>	<p>What action will be taken to address the recommendation and resolve the condition?</p> <p>Who will be responsible for taking this action?</p> <p>When will the action be complete?</p>

Clackamas County
Internal Audit Oversight Committee
Meeting Materials
Wednesday, October 11, 2023

Item #7
FY23-24 Budget Committee Advisory Motion:
Request for Advice –
Management Letter presentation



**FY23-24 Budget Committee
Advisory Motion – Request for
independent and objective advice:**

*Initial assessment suggests continued effort to address
long-standing root causes*

Management Letter by the Office of County Internal Audit

1

Why the advice is being offered

The Office of County Internal Audit is an independent county resource established in County Code to provide objective assurance, advice and insight.

- ▶ May 24, 2023 - Budget Committee made an advisory motion

“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.”

- ▶ May 24, 2023 - County Administrator suggested seeking the advice of the County Internal Auditor

“I recommend we ask our Internal Auditor first. What her recommendation is. Whether that is a function of her office.”

- ▶ June 27, 2023 - County Internal Auditor formally offered advisory services designed to provide objective observations and recommendations

What We Heard

The perception of, or potential for, barriers to the budget development process reduced the level of assurance and trust in the Sheriff's Office's budget details.

- ▶ Lack of alignment - Conflicting philosophies and strategies
- ▶ Lack of cooperation - Communication gaps and political environment
- ▶ Need for clarity on standards and authority - Limited documentation and enforcement of policies and procedures
- ▶ Existence of different systems - Limited reconciling data between PeopleSoft (primary financial system) and subsidiary financial systems

What We Found

Root causes noted in 2018 & 2019 independent countywide organizational enhancement and business process improvement studies remain relevant

- ▶ What is working?
 - ▶ Enhanced inter-departmental financial communications
 - ▶ Implemented new Chart of Accounts
 - ▶ Employed OpenGov software
 - ▶ Revised internal services charges methodology
 - ▶ Developed and published 10 new Finance policies
 - ▶ Established monthly financial close processes

- ▶ What is missing or challenging?
 - ▶ Defined role and authority of Finance
 - ▶ Comprehensive Finance administrative policies and procedures
 - ▶ Standardized and enforced Finance administrative policies and procedures

“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

4

What We Recommend

We recommend seven actions to address countywide root causes and specific Budget Committee advisory motion concerns

- 1 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.
- 2 Clarify and document ELED legal restrictions and allowable uses
- 3 Clarify and document Levy legal restrictions and allowable uses
- 4 Develop, document and communicate definitions, methodologies and expectations for cost allocation, administrative overhead, program recovery, vacancy savings, etc.

What We Recommend

We recommend seven actions to address countywide root causes and specific Budget Committee advisory motion concerns

- 5 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.
- 6 Provide and communicate timely, complete, and accurate static financial monthly reports through fully implemented month-end closes.
- 7 Review the two external consulting reports - 2018 Government Finance Officers Association's "Organizational Assessment" and 2019 HRP MO Inc's "Finance Needs Assessment" - for relevant observations and recommendations.

What is Being Done

The Office of County Internal Audit offered its observations and recommendations in response to a request for advice. Formal responses received from County Administration will accompany the published management letter.

- ▶ Resources have been identified to conduct an independent workflow analysis (#5) - To be facilitated by the Office of County Internal Audit if supported by both the Sheriff's Office and County Administration
- ▶ Results of observations and analysis, including the seven recommendations, will inform future county risk assessments and allocation of County Internal Audit resources

Clackamas County
Internal Audit Oversight Committee
Meeting Materials
Wednesday, October 11, 2023

Item #8
FY23-24 Budget Committee Advisory Motion:
Request for Advice –
Management Letter #2023-03



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

Office of County Internal Audit

Public Services Building
2051 Kaen Road, Suite 460 | Oregon City, OR 97045

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 HRP MO 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

- ✓ existence of different systems.

Figure 1 provides a complete display of concerns noted from the interviews. The four most common themes were expressed as follows.

Lack of alignment and lack of cooperation

The county’s Finance department and Sheriff’s Office appear to be operating with conflicting philosophies and strategies. Additionally, challenges exist inherently in a political environment. Communication gaps and misunderstandings exist, leading to decreased trust and cooperation. The long-term goal is for the county Finance team and the Sheriff’s



Figure 1 Word cloud showing common themes and concerns. Larger text represents a topic more frequently discussed. Figure generated by the Office of County Internal Audit from interview results. See Attachment A.

Office to develop mutual understanding, collaboration, and for both parties to be in agreement on the budgeting and monthly financial transaction processes.

Need for clarity of standards

The county’s financial strategies appear to be evolving. Budget elements and practices—such as cost allocation methodology, administrative overhead, vacancy savings—are and will continue to be a point of contention without further documentation, communication, and clarification of standards and authority. Additionally, confusion exists regarding legal restrictions, allowable costs, cost allocation methodology, and carryover of restricted funds for both the Enhanced Law Enforcement District and the Levy. Strategic differences exist in addressing how general funds and restricted funds should be spent and prioritized. Strategic differences exist in addressing how the budget should be developed, such as basing the budget on actuals instead of prior year budgets. Differing opinions exist addressing how offices and departments are responding to the expectation that adequate and timely data be

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).

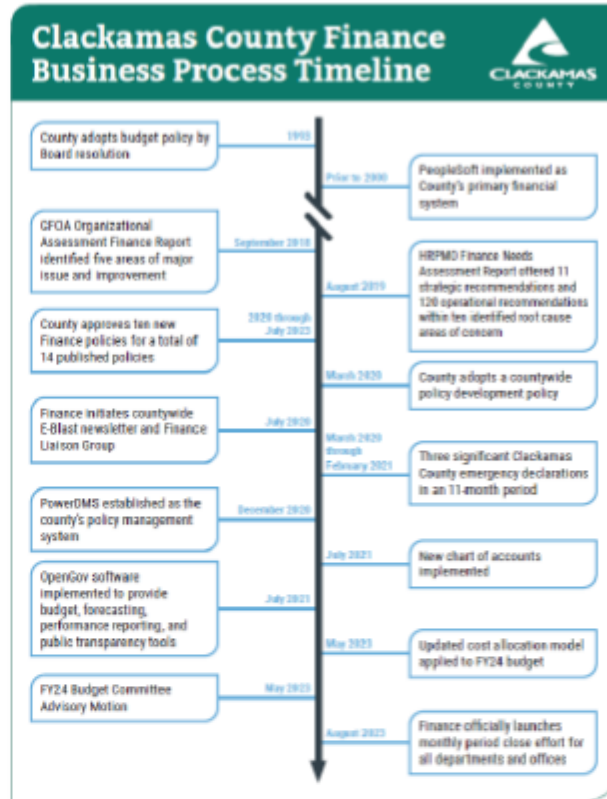


Figure 2 General Clackamas County Finance Business Process Timeline - Developed by the Office of County Internal Audit based on observations; See Attachment B

- 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.

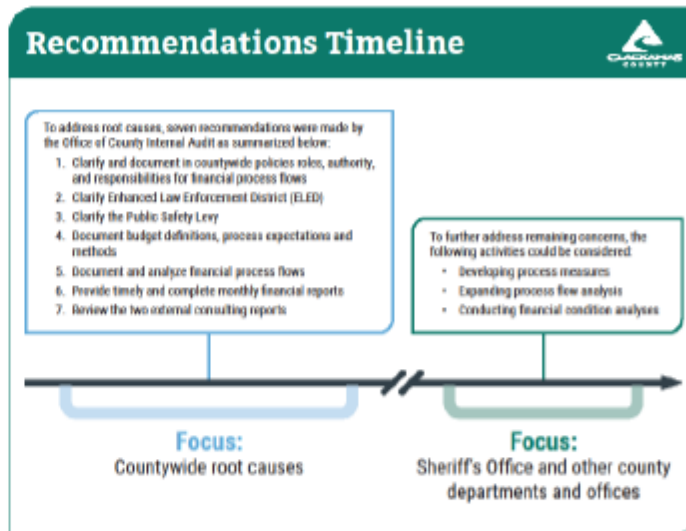


Figure 3 Proposed recommendation implementation timeline. Figure generated by the Office of County Internal Audit. See Attachment C.

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

administrative overhead reconciliation

budgeting to actuals restricted funds

documented policies and procedures misinformation

ELED data accuracy cost allocation

avoiding layoffs definitions **clarity of standards**

spending of general funds

lack of alignment

communication gap process overview accountability levy

siloes **lack of cooperation** redundancy politics

accounting expertise future collaboration month-end reporting

timeliness **different systems** best practices

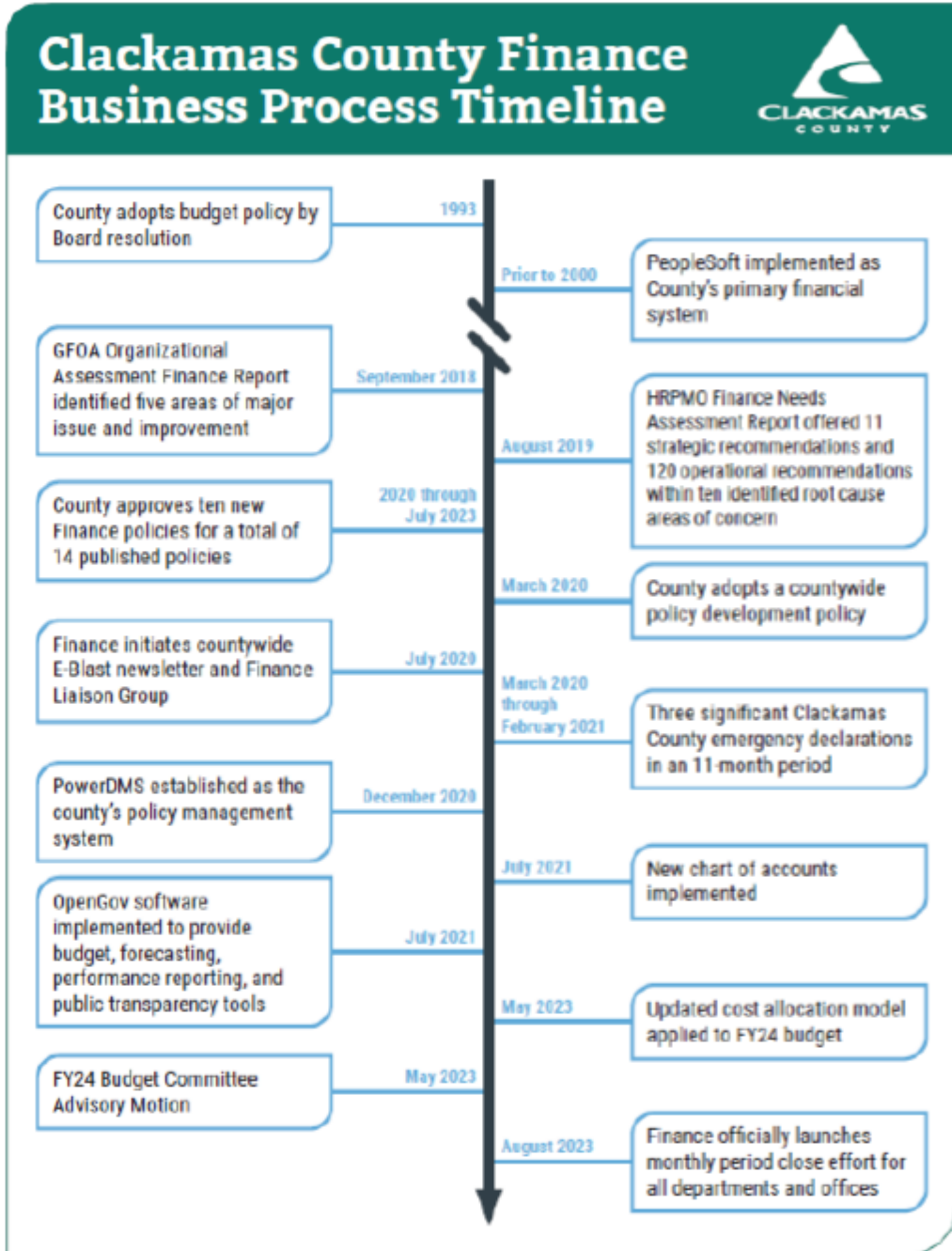
authority transparency trust

“ *Without defined processes or policies, setting expectations for outcomes is difficult and holding stakeholders accountable becomes almost impossible.* ”

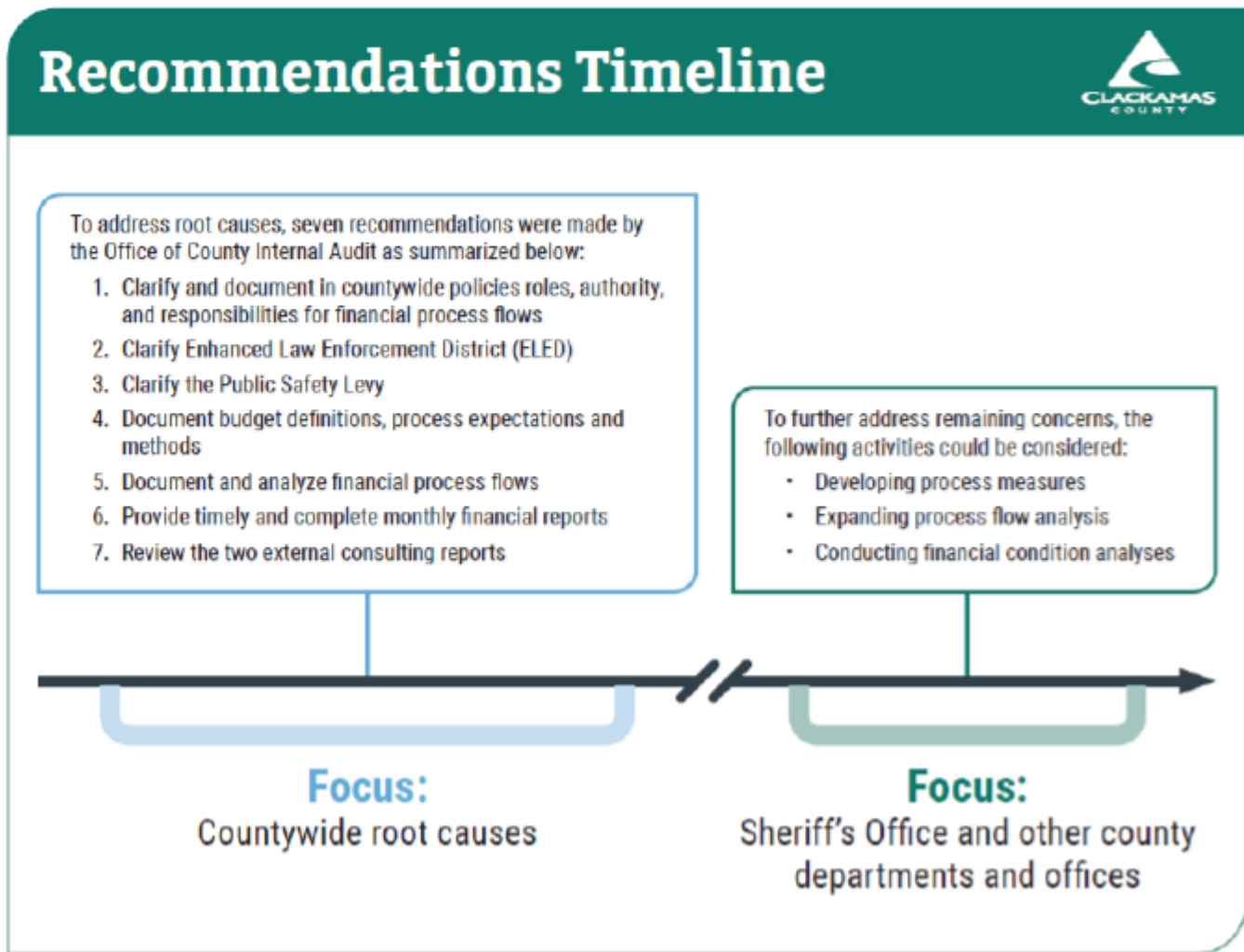
Source: GFOA Finance Business Process Assessment Report, November 2018

Root Causes	Recommendations
<ul style="list-style-type: none"> - Internal Controls - Data Governance & Rule-Based Processing - Workflow Management - Systems & Resources 	<ul style="list-style-type: none"> - 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 B – Business Process Timeline



Attachment C – Recommendations Timeline



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. ➤ Responsible Resource: Finance Department</p> <p>ii. Consistently implement budget processes in alignment with expectations. ➤ Responsible Resource: Sheriff's Office / Operating Departments & Offices</p> <p>iii. Consistently hold departments and offices accountable for performance in alignment with expectations. ➤ 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> <p>i. Develop, document, and communicate financial transaction and month-end standards and clear process expectations. ➤ Responsible Resource: Finance Department</p> <p>ii. Consistently implement financial transaction and month-end processes in alignment with expectations. ➤ Responsible Resource: Sheriff's Office / Operating Departments & Offices</p> <p>iii. Consistently hold departments and offices accountable for performance in alignment with expectations. ➤ Responsible Resource: Finance Department</p>	<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 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 c. Clarify the legal restrictions on levy lifecycle, specifically fund balances. <ul style="list-style-type: none"> ➤ Responsible Resource: County Counsel or external contracted resource d. Define and document authority and responsibilities to determine methodology and strategy of levy spending. <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 a. Consistently implement methodologies in alignment with expectations for departments and offices. <ul style="list-style-type: none"> ➤ Responsible Resource: Sheriff's Office / Operating Departments & Offices b. Consistently hold departments and offices accountable for performance in alignment with expectations. <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 HRPMO
7	<p>Review the two external consulting reports - 2018 Government Finance Officers Association's "Organizational Assessment" and 2019 HRPMO 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 a. Establish status of all recommendations from both reports. b. Implement applicable outstanding recommendations. 	<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 HRPMO, 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 HRPMO "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 HRPMO 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	

Clackamas County
Internal Audit Oversight Committee
Meeting Materials
Wednesday, October 11, 2023

Item #9
FY23-24 Audit Plan – 10.11.2023 Status



FY23-24 Audit Plan

Assurance & Advisory Engagements – Status update
October 11, 2023

Engagements	Status	Notes
2022 County Financial Condition Analysis	Complete	2022 Audit Plan activity completed after last Committee meeting. Report issued - June 16, 2023. Report is intended to provide additional analysis and transparency of the county's financial health. It is not intended to provide explanations or analysis on the cause of changes, nor provide recommendations on operational processes.
Civil Rights – Title VI Public Notification and Complaint Management	Complete	Management Letter issued – August 31, 2023. Management agreed with 3/3 recommendations offered.
FY 23-24 Budget Committee Advisory Motion	Complete	Advisory engagement requested by County Administrator/County Budget Officer; scope designed to address May 24, 2023, Budget Committee meeting comments and communicated on June 27, 2023, email to the county Budget Officer, Budget Committee and Sheriff. Management Letter issued – September 31, 2023. Seven recommendations were offered.
Clackamas County Clerk – Elections Audit: Status Update	In Progress	Planning and survey work underway; observation of Special Elections scheduled for November 7, 2023. Anticipated scope will encompass 2024 election activity. Engagement timed for maximum efficiency.
Courthouse Capital Construction Project	In Progress	Planning and survey work underway; Entrance conference anticipated in October.
Finance – Asset Management	In Progress	Initial planning and survey work underway.
Clackamas County Sheriff's Office – Jail Operations	Not yet started	
Housing Authority – Affordable Housing Bond Program	Not yet started	
2023 Audit Recommendation Monitoring	Not yet started	Monitoring activity scheduled for December 2023; Target report date – January 2024
2023 Risk Assessment	Not yet started	Risk assessment activity scheduled for April/May 2024. Results to inform FY 24-25 Audit Plan.

Clackamas County
Internal Audit Oversight Committee
Meeting Materials
Wednesday, October 11, 2023

Item #10
Quality Assurance and Improvement Program –
10.11.2023 Status



Quality Assurance and Improvement Program

Status update
October 11, 2023

QAIP Goals & Activity	Status	Notes
County Code	Complete	County Ordinance #05-2020 - September 23, 2020
IAOC Handbook*	Complete	IAOC onboarding tool; updated January 2023
OCIA Webpage – Public internet	Complete	Maintenance ongoing; Good Government Hotline updates
Post-engagement customer survey*	Complete	Post-engagement survey process fully implemented and incorporated into ongoing activity.
IAOC Composition	Complete	Composition includes community membership – New member appointed July 2023.
OCIA Classification Series and Resources*	Complete	Two FTE; Development of County Internal Audit professional classification series completed December 2022; Preliminary alignment with industry standards and Oregon market. Continued monitoring and review of adequate governance.
OCIA Charter	In progress	Next annual review – Target January 2024
IAOC Charter	In progress	Next annual review – Target January 2024
OCIA Policy and procedure manual*	In progress	Continued development and refinement; completion planned in preparing for peer review.
External Quality Assessment Review - Peer review*	In planning stage	Contract Target 2023; Coordinating with State of Oregon Chief Audit Executive Council to participate in state reciprocal activity. Timing impacted by State resources and projects.
Hotline governance	In progress	Annual summary reports published; Governance and control processes being reviewed and revised to reflect new structure adopted in 2021.
OCIA Webpage – Intranet	Not yet started	

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

Standard	Summary of Requirement	
IPPF 1000.C1	The Office of County Internal Audit charter is reviewed with the IAOC to ensure its adequacy and compliance with <i>Standards</i> .	FY23-24
IPPF 1010	The CAE discusses with the IAOC the Definition of Internal Auditing, the Code of Ethics, and the Standards – as documented within the Office of County Internal Audit charter.	FY23-24
IPPF 1010	The CAE discusses with senior management the Definition of Internal Auditing, the Code of Ethics, and the Standards – as documented within the Office of County Internal Audit charter.	FY23-24
IPPF 1110	The CAE confirms to the IAOC annually the organizational independence of the Office of County Internal Audit.	FY23-24
IPPF 1111	The CAE communicates and interacts directly with the Board – providing annual activity updates.	FY23-24
IPPF 1130.A1&A2	The CAE confirms to the IAOC annually the objectivity of the Office of County Internal Audit staff.	FY23-24
IPPF1300	The CAE discusses the results of the Quality Assurance and Improvement Program, including ongoing monitoring of individual engagements, self-assessment results and recommendations, and external peer reviews.	FY23-24
IPPF 2200 through IPPF 2450	The CAE discusses with the IAOC the results of individual engagement quality assurance reviews when presenting engagement results.	
IPPF 1312	The CAE discusses with the IAOC the form (full or validation) and frequency of external assessments, including the independence and qualifications of the external reviewer.	
IPPF 1320	The CAE communicates the results of the external assessment to the IAOC and the status of recommendations.	
IPPF 1320	The CAE communicates the results of the external assessment to senior management.	
IPPF 1321 & IPPF 1322	The CAE addresses with the IAOC the Office of County Internal Audit's use of statements of <i>Standard</i> conformity or nonconformity in engagement communications.	
IPPF 2040	The CAE confirms to the IAOC the adequacy of the Office of County Internal Audit policies and procedures, including the IAOC Member Handbook.	
IPPF 2050	The CAE reviews coordination of combined assurance functions within the county.	
IPPF 2500	The CAE monitors the status of all management recommendations (internal and external) and communicates the results to the IAOC to ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.	
IPPF 2600	The CAE communicates to the IAOC all circumstances in which the CAE has determined that senior management has accepted a level of risk that may be unacceptable to the county organization.	
IPPF 2010.A1 IPPF 2010. C1	The CAE performs and documents an annual countywide risk assessment, incorporating input from the IAOC, Board, and senior management.	
IPPF 1210 & IPPF1230	The CAE demonstrates to the IAOC how the Office of Internal Audit collectively possesses or obtains the knowledge, skills, and other competencies needed to perform its responsibilities. CAE annually confirms compliance with all continuing professional education requirements.	
IPPF 1210.A2	The CAE addresses with the IAOC the sufficiency of fraud detection and investigation resources within the Office of County Internal Audit.	
IPPF 1210.A3	The CAE addresses with the IAOC the sufficiency of information technology auditing resources within the Office of County Internal Audit.	
IPPF 2000 & IPPF 2010	The CAE prepares and presents to the IAOC and senior management an audit plan which adds value to the county organization and represents a risk-based prioritization of Office of County Internal Audit resources.	
IPPF 2020	The IAOC reviews and approves the audit plan, considering resources limitations as communicated by the CAE.	
IPPF 2100 through IPPF 2130.C1	The CAE formally assesses and contributes to the improvement of county governance, risk management, and control processes – issuing an annual assessment report.	

###