

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Sitting/Acting as (if applicable) Policy Session Worksheet

Presentation Date: 5/12/2020 **Approx. Start Time:** 1:30 PM **Approx. Length:** 30 min

Presentation Title: County Code amendment – County Internal Auditor

Department: County Internal Audit

Presenters: Jodi Cochran, Chief Audit Executive; Brian Nava, Treasurer

Other Invitees: N/A

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

We are requesting consideration and support of the proposed language establishing the County Internal Audit function within County Code. We are recommending the Board facilitate public readings of the proposed amendment and solicit feedback.

EXECUTIVE SUMMARY:

Background

The County Internal Audit function was established by the Board in 2015, when it authorized the appointment of a County Internal Auditor and approved the Internal Audit charter.

County Internal Audit is an independent function designed to add value and help Clackamas County achieve its objective by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes.

County Internal Audit is governed by an Internal Audit charter, adopted by the Board on April 23, 2015. Its independence is enhanced by a dual-reporting structure. The County Internal Auditor, its Chief Audit Executive (CAE), reports administratively to the elected County Treasurer and functionally to the Internal Audit Oversight Committee. This structure encourages direct and unrestricted access to “all things Clackamas County.” It also supports a service environment free from conditions that threaten the CAE’s ability to maintain objectivity.

The value of internal audit services depends on its independence and objectivity. The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing* require the internal audit function “have freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner.” This includes protections in place to safeguard the audit organization. Eight of eight local county/city audit shops have governance established in their county or city code (Multnomah County; Washington County; Metro; City of Portland; Clark County, Wa; Deschutes County; Jackson County; and Lane County).

Clackamas County Internal Audit is not designated in Code. In response to a required self-assessment of the County Internal Audit function, the Internal Audit Oversight Committee requested, at its January 22, 2020 meeting, language be developed to codify the resource. The Oversight Committee approved the proposed language at its May 6, 2020 meeting and recommended the Code amendment be presented to the Board for consideration.

Executive Summary

The proposed Code amendment establishes the general authority and responsibility of the Office of County Internal Audit and the Internal Audit Oversight Committee. The codification

solidifies and clarifies the actions of the Board in 2015, as well as meets professional and industry standards.

The amendment defines the Office, Appointment of County Internal Auditor, Qualifications, Independence, Authority, Duties, and the Internal Audit Oversight Committee. This includes the dual-reporting structure and community membership on the Internal Audit Oversight Committee. It additionally authorizes the County Internal Auditor to examine and evaluate the operations and activities of any office, department, political subdivision, or organization which receives appropriations from the Board, or for which governing bodies are appointed by the Board.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? \$ What is the funding source? County Treasurer budget

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department's Strategic Business Plan goals?

County Internal Audit's vision is that its services enhance County residents', employees', and departments' confidence that the public's interests are protected and encourage engagement with a more accountable, higher performing, and more transparent local government. Codifying the County resource into County Code is a key Strategic Business Plan strategic result.

- How does this item align with the County's Performance Clackamas goals?

County Internal Audit strives to provide unbiased perspectives, serve as a conduit for conversation, advocate for continuous improvement, and encourage transparent, well-informed decision making. Codifying this County resource demonstrates a commitment to the County's strategic priority of building public trust through good government. Internal Audit engagements planned for 2020 support the County's strategic goals as follows.

- Metro Housing Bond – The audit report and recommendations will provide assurances and observations addressing the County's readiness to utilize Metro Housing Bond resources. These resources directly impact the County's efforts to increase affordable housing and to reduce chronic homelessness.
- Financial Condition Analysis – This analytical review and presentation will provide assurances and insights addressing the County's financial condition. The published report will provide residents and public officials with transparent, updated information on the County's financial health. This transparency supports the County's effort to present meaningful County budget information tied to performance and to build a County Courthouse.
- Contract Administration of Human Services Contracts – The audit report and recommendations will provide assurances and advice addressing the County's contract administration practices which will enhance the County's efforts to streamline operations, improve efficiency, and deliver quality services. These practices directly support the County's in-house and contracted efforts to adequately train clients and increase workforce readiness.

LEGAL/POLICY REQUIREMENTS: N/A

PUBLIC/GOVERNMENTAL PARTICIPATION:

County Internal Audit engages with every aspect of County government at all levels – across departments and programs and along management/staff lines – identifying best practices, areas for improvement, and risks to be evaluated.

County Internal Audit formally communicates with County employees, partners, stakeholders, and residents through the public County Internal Audit website. Audit reports and activity updates are provided for consideration. The Chief Audit Executive is available in person, by phone, and through email to field questions, concerns, and observations regarding the County’s governance, risk management, and control processes and ways to improve the County’s effectiveness and efficiency.

With Board support, public feedback addressing the proposed codification of the County Internal Auditor will be solicited during public readings.

OPTIONS:

1. Approve as presented the addition of Chapter 2.12 to the County Code and direct staff to schedule the first reading of the proposed ordinance at a public hearing;
2. Approve as amended the addition of Chapter 2.12 to the County Code and direct staff to schedule the first reading of the proposed ordinance at a public hearing;
3. Request staff to consider amendment language and request changes be brought back to the Board for further review at a future policy session; or
4. Reject the proposed codification in County Code of the County Internal Auditor.

RECOMMENDATION:

1. Approve as presented the addition of Chapter 2.12 to the County Code and direct staff to schedule the first reading of the proposed ordinance at a public hearing.

ATTACHMENTS:

Exhibit A: Proposed Code Amendment – County Internal Auditor

SUBMITTED BY:

Division Director/Head Approval 
Department Director/Head Approval __BTN__
County Administrator Approval _____

For information on this issue or copies of attachments, please contact __Jodi Cochran @ 503.742.5983

Exhibit A

Proposed Code Amendment – County Internal Auditor

Chapter 2.15

2.15 COUNTY INTERNAL AUDITOR

2.12.010 Office of County Internal Audit

The Office of County Internal Audit is created and the person holding that office shall act as the head of internal audit for the County. The office consists of the County Internal Auditor and such subordinate employees as the Board of County Commissioners may provide. It is the policy of Clackamas County to maintain the Office of Internal Audit as a means of providing independent, objective assurance and consulting services designed to add value and improve Clackamas County's operations through improved performance and efficacy of governance, risk management, and control processes.

This code establishes the general authority and responsibility of the Office of County Internal Audit and the Internal Audit Oversight Committee. It supersedes any other Internal Audit charter or code.

2.12.020 Appointment of County Internal Auditor

The County Internal Auditor shall be appointed by or dismissed by the County Treasurer in consultation with the County Administrator and the Internal Audit Oversight Committee.

2.12.030 Qualifications

The County Internal Auditor shall possess adequate professional proficiency. Preference will be given to those applicants holding at least one of the following designations: Certified Public Accountant, Certified Internal Auditor, or Certified Fraud Examiner.

2.12.040 Independence

- A. The County Internal Auditor has neither a management nor a policy role; and no operational authority nor responsibility. Rather the County Internal Auditor provides independent and objective information about County programs and services.
- B. The County Internal Auditor governs the office by adherence to the Institute of Internal Auditor's *International Professional Practices Framework* and its mandatory guidance. The office will be considered independent as defined by that framework and shall remain free of influence by any organizational elements.
- C. The County Internal Auditor reports functionally to the Internal Audit Oversight Committee and administratively to the elected County Treasurer. If the office conducts an audit of an activity for which the County Treasurer is or was responsible, the audit scope will state that the auditors are not organizationally independent with regard to the entity being audited.

2.12.050 Authority

- A. The County Internal Auditor is authorized to examine and evaluate the operations and activities of any office, department, political subdivision, or organization which receives appropriations from the Board of County Commissioners, or for which governing bodies are appointed by the Board of County Commissioners.

- B. The County Internal Auditor is authorized to perform special reviews and investigate allegations of fraud, waste, abuse, or misuse of County assets and resources.
- C. The County Internal Auditor shall have full, free and unrestricted timely access to all information, records, property, and personnel required to conduct an audit or otherwise perform audit duties, including confidential and legally privileged information and records so long as privilege is not waived as to third parties.
- D. The County Internal Auditor shall have full, free and unrestricted access to all contractually-required financial and performance-related records; and property, equipment and services purchased in whole or in part with County funds, in the custody of County contractors and subcontractors.
- E. The County Internal Auditor has the authority to request reasonable assistance from appropriate County personnel in acquiring requested records, documents and files, as well as inspection and entry privileges to all assets owned, leased, or borrowed by the County

2.12.060 Confidential Information

The County Internal Auditor shall not disclose confidential or legally privileged information and records to the extent allowed by law. The County Internal Auditor shall maintain the confidentiality of information submitted in confidence and the identity of the provider of such information to the extent allowed by law, except as the County Internal Auditor deems necessary to discharge the Auditor’s duties or as directed by the appropriate legal authority pursuant to a public records request or by a court of competent jurisdiction.

2.12.070 Duties

The County Internal Auditor shall perform all day-to-day functions necessary for the administration and management of the Office of Internal Audit. Such duties include but are not limited to:

- A. Develops and implements policies and procedures for the Office of Internal Audit in compliance with the Institute of Internal Auditor’s International Professional Practices Framework and its mandatory guidance.
- B. Delivers assurance and consulting services to the Board of County Commissioners and County Administrator, including financial and performance audits of any office, department, political subdivision, or organization which receives appropriations from the Board of County Commissioners, or for which governing bodies are appointed by the Board of County Commissioners.
- C. Advises the Board of County Commissioners, County Administrator, and County departments on the continuous improvement of County governance, risk management, and control processes.
- D. Makes recommendations to the Board of County Commissioners, County Administrator, and County departments to enhance the security of county assets, accuracy and reliability of financial and operational information, compliance with legal and regulatory requirements, quality of county services and programs, and the results achieved through the use of tax dollars and other public resources.
- E. Provides final audit reports to the public, Board of County Commissioners, County Administrator, and County departments, as allowed by public records law.
- F. Selects, appoints, directs, supervises, disciplines and dismisses all Office of Internal Audit staff consistent with County policies and procedures.

2.12.080 Internal Audit Oversight Committee

- A. The Internal Audit Oversight Committee objectives are to ensure the Office of Internal Audit is independent and to promote the effectiveness and integrity of the office.
- B. The Internal Audit Oversight Committee shall be comprised of seven members, as follows:
 - a. Chair of the Board of County Commissioners,
 - b. Vice Chair of the Board of County Commissioners,
 - c. County Counsel,
 - d. County Administrator, and
 - e. Three members of the community appointed by the County Treasurer from a list of nominees submitted by the County Internal Auditor, for a term of twenty-four (24) months.
 - f. The County Treasurer may serve as a non-voting member.
- C. The Internal Audit Oversight Committee shall perform functions necessary to meet its objectives. Such duties include but are not limited to:
 - a. Approves the Office of County Internal Audit charter and recommends charter for Board of County Commissioners adoption.
 - b. Recommends internal audit priorities to the County Internal Auditor and approves risk-based audit plan and associated resource allocations.
 - c. Reviews and analyzes all audit reports.
 - d. Evaluates management's responses to audit recommendations and noted opportunities for improvement.
 - e. Ensures no unreasonable restrictions are placed on the County Internal Auditor.
 - f. Facilitates transparent communication between County Internal Auditor, County Administrator, and Board of County Commissioners.
 - g. Adopt bylaws to allow the Internal Audit Oversight Committee to perform its necessary functions in an open, orderly, and transparent manner.