

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Sitting/Acting as (if applicable) Policy Session Worksheet

Presentation Date: June 20, 2017

Approx. Start Time: 10:30am

Approx. Length: 1 hour

Presentation Title: Clackamas County Internal Audit Overview

Department: Clackamas County Treasurer's Office

Presenters: Brian Nava, Clackamas County Internal Auditor and
Shari Anderson, Clackamas County Treasurer

Other Invitees: N/A

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

This is an informational session, which will provide an overview of the County's Internal Audit function.

EXECUTIVE SUMMARY:

The Clackamas County Internal Auditor was hired in August of 2015. The Internal Audit function is governed by the Board of County Commissioner's approved Internal Audit Charter (currently located on the Internal Audit website at <http://www.clackamas.us/internalaudit/>).

The Internal Auditor reports administratively to the Clackamas County Treasurer and functionally to the Internal Audit Oversight Committee (IAOC). Current members of the committee include a County Commissioner, the County Administrator, County Counsel and the County Treasurer. The Internal Auditor follows core principles, code of ethics and standards as published by the Institute of Internal Auditors.

Audit categories and engagements include:

- Financial
- Performance
- Compliance
- Information Technology
- Special Investigations
- Follow-up Audits
- Consulting Engagements

Internal Audit also administers and maintains the EthicsPoint fraud hotline. EthicsPoint is a comprehensive and anonymous web and telephone based reporting tool that assists management and employees in addressing fraud, waste and abuse at Clackamas County. Clackamas County has contracted with EthicsPoint since 2005 to provide this hotline. EthicsPoint is an independent, third party provider and is not affiliated with Clackamas County. Employees reporting to the hotline can remain anonymous. Internal Audit has seen a significant spike in recent years in the number of hotline reports received through the hotline, in person and in the mail.

Internal Audit statistics:

- 4 Audit reports have been issued and are available on the Internal Audit website.
- 69 Audit recommendations are being monitored by Internal Audit.
 - o 20 currently resolved and 49 partially resolved or unresolved.
- 32 Consulting engagements.
- 58 Hotline reports since Internal Audit inception.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? YES NO

What is the cost? \$0.00

What is the funding source? General Fund

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department's Strategic Business Plan goals?
 - Describes how the Internal Audit function is structured and how Internal Audit helps protect the public's interest and improves the performance, accountability and transparency of Clackamas County government.

- How does this item align with the County's Performance Clackamas goals?
 - Building public trust through good government.

LEGAL/POLICY REQUIREMENTS:

N/A

PUBLIC/GOVERNMENTAL PARTICIPATION:

N/A

OPTIONS:

N/A – Informational presentation.

RECOMMENDATION:

N/A – Informational presentation.

ATTACHMENTS:

Internal Audit PowerPoint

SUBMITTED BY:

Division Director/Head Approval _____

Department Director/Head Approval SA/bn _____

County Administrator Approval _____

For information on this issue or copies of attachments, please contact _____ @ 503- _____



Internal Audit Overview

June 2017

The Role of Audits

- What is an audit?
 - Objectively obtaining & evaluating evidence
 - Communicating the results
- Why have audits?
 - Accountability
 - Independent assessment
 - Required by law

Internal audits are conducted to help protect the public's interest and improve the performance, accountability, and transparency of Clackamas County government.

About the Internal Auditor

Brian Nava was appointed as Clackamas County's Internal Auditor in August 2015. Prior to joining Clackamas County, Brian held various audit positions with the Oregon Secretary of State Audits Division from 2004 to 2015.

Brian has performed financial, performance, compliance, fraud and/or information technology type audits at, including but not limited to, the following Oregon State Departments:

DAS, DEQ, DHS, OHA, ODOT, DOE, ODE, ODFW, OPRD, OECDD, OHCS, OST, PERS, CCWD, TSPC, WRD, BOLI.

Brian received his Bachelor of Science degree in Business with an emphasis in Accounting from Linfield College. He also has minors in Computer Science and Math.

Brian is a member of the Institute of Internal Auditors (IIA), Oregon Association of Certified Fraud Examiners (OACFE) and the Association of Local Government Auditors (ALGA).

Brian is a volunteer firefighter for the Canby Fire Department, where he also served as the Treasurer and Finance Director for their Volunteer Association.

Structure of Internal Audit

- The Internal Audit Charter establishes the general authority and responsibility of the Internal Audit Department
- The Internal Auditor reports administratively to the Clackamas County Treasurer and functionally to the Internal Audit Oversight Committee (IAOC)
- Current members of IAOC:
 - Jim Bernard, County Chair
 - Don Krupp, County Administrator
 - Stephen Madkour, County Counsel
 - Shari Anderson, County Treasurer



Internal Audit Oversight Committee

- The IAOC:
 - Has oversight responsibilities of the Internal Audit function and activities
 - Reviews and approves annual internal audit plan and any revisions thereto
 - Meets quarterly to discuss and review work performed by Internal Audit department
 - Annual audit plan progress (IA hours, draft reports, etc.)
 - Annual countywide risk assessment
 - Fraud, waste and abuse investigations
 - Consulting engagements
 - Recommendation status
 - Follow-up audits
 - Is dispatched on all reports to the hotline (EthicsPoint)

Audit Categories

- Financial
- Performance
- Compliance
- Information Technology
- Special Investigations
- Follow-up Audits
- Consulting Engagements





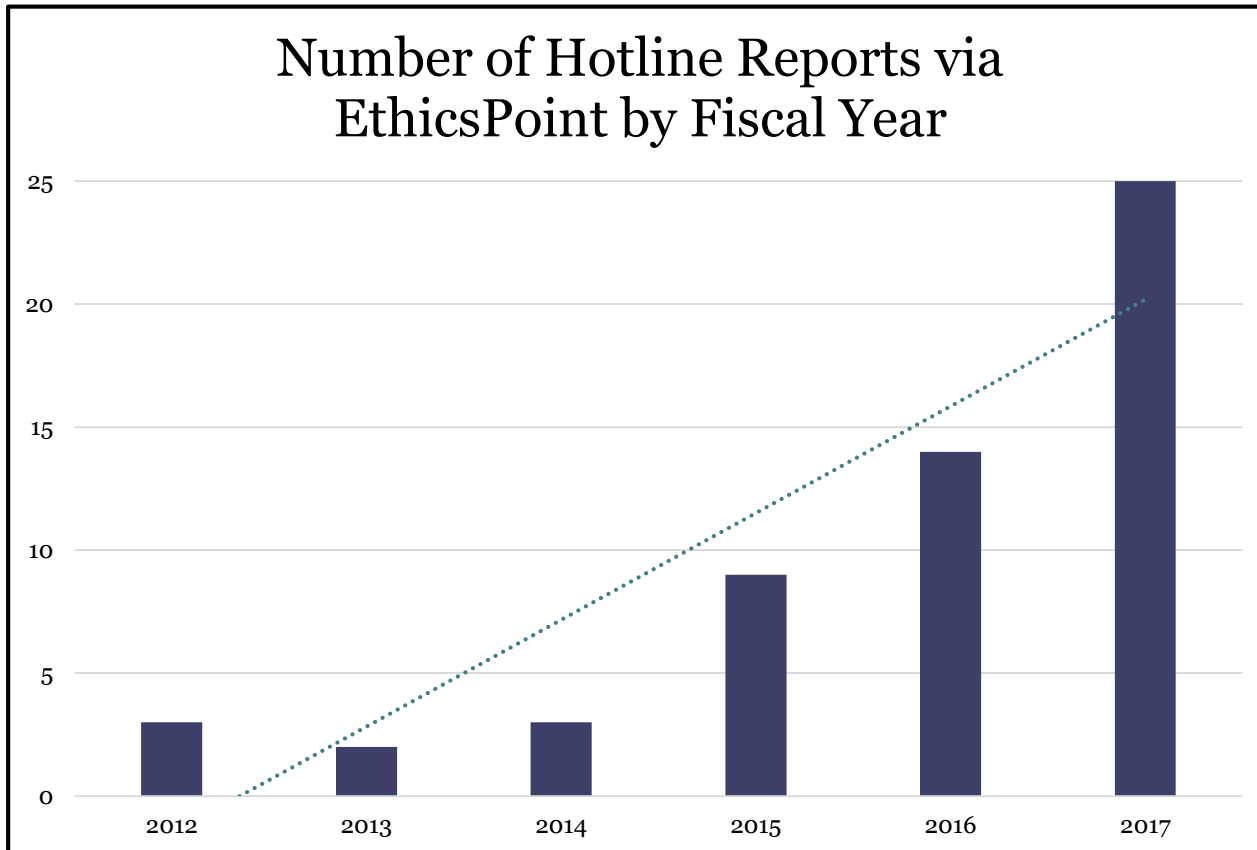
Special Investigations

- Investigate allegations of fraud, waste or abuse

County Hotline:

1-866-294-9315

www.ethicspoint.com



Consulting

- Consulting services are advisory in nature and are generally performed at the specific request of an engagement client.
- Over **32** consulting engagements since Internal Audits inception in 2015.



Audit Criteria

- Generally Accepted Accounting Principles & Government Auditing Standards
- State Administrative Rules/Statutes/Policies/Procedures
- County Policies and Procedures
- Control Objectives for Information Systems and Related Technology (COBIT)
- Best Practices
- And More...



How do we decide what to audit?

- Annual risk assessment (primary)
- “Follow the money”
- Data mining—research to answer questions and look for patterns
- Requests from management
- Immediate need or risk identified by management, Internal Audit or the IAOC
- Hotline calls



Annual Risk Assessment & Audit Plan

- County department's are generally scored based on:
 - The over 75 interviews conducted with key County stakeholders.
 - Complexity of each department (e.g. likelihood of error).
 - Potential impact an error or weakness would create.
 - Significance of revenues and expenses flowing through department.
- A high risk score does not mean that a department is being managed ineffectively or that internal controls are not adequate.

CY 2017 Audit Plan

Project	Engagement Title	Comments
Risk Assessment	Annual Risk Assessment and 2018 Audit Plan	Annually required by IIA auditing standards.
Policies and Procedures (P&P's)	Development of IA P&P's, website, mission, strategic objectives, etc.	
2016-5	Transportation Construction	Completed and posted to Internal Audit public website.
2017-1	Tourism	Draft report scheduled for July 2017.
2017-2	Financial Condition	
2017-3	Vacation, Sick Leave and Overtime	
2017-4	Records Management and Retention	
Special Reviews	Fraud, Waste, Abuse	
Consulting	Consulting Work	
Consulting	\$59 Million Bond 2016 Bond 3-476	The Clackamas 800 Radio Group (C800) is the ORS 190 responsible for building and maintaining most of the County's emergency radio communications infrastructure.
Recommendation Follow-up	Recommendation Follow-up	Follow-up on recommendations from prior audit reports.
Indirect Time	Dept outreach, leave time & management meetings	
Training	Continuing Professional Education (CPE) and Non-CPE	80 hours of CPE is required every 2 years.

How do you conduct an audit?

General Audit Process

- Planning/Scoping
- Internal controls
 - Interviews with management and staff
 - Documenting policies and procedures
- Fieldwork
 - Substantive testing
 - Control testing
 - Analytical procedures
- Results meeting
- Reporting

Audit Reports

www.clackamas.us/internalaudit

- Audit results, conclusions & recommendations
- Agency responses
- Follow-up and corrective action
- Available to the public



Procurement Cards:

Training, Technology, Monitoring and Rebates

September 2016

A Report by the Internal Auditor

Brian Nava
Clackamas County Internal Auditor

Shari Anderson
Clackamas County Treasurer

Key Findings

This audit on the use of procurement cards finds that Clackamas County has an opportunity to improve administrative efficiency by expanding technological capabilities and the use of procurement cards. By updating administrative procedures and current policies regarding the preference for procurement cards as a method of payment, as well as reducing some of the current restrictions on card use, the County can further reduce the number of checks written to experience cost savings and increase the opportunity for higher rebates. While some controls could be improved, most procurement card controls that are currently in place generally appear to be working appropriately.

We also found the County can better utilize data available for monitoring County spending and internal controls. Better use of that data may also assist finance department's procurement division in future efforts around strategic sourcing.

Our review encompassed over 92,500 transactions from December 2009 thru February 2016. We tested for transactions prohibited by County policy and others that may signal the existence of irregularities, risks and potential fraud. While we did not find anything to indicate fraud or misuse, testing performed did identify approximately \$306,650 in questioned costs. We also had questions about a number of transactions and referred them to the finance department and/or the procurement cardholder's manager for additional review.

Key Recommendations

Our specific recommendations for management are included on page 18 of this report.



In summary, we made recommendations to:

- Take advantage of technology currently available;
- Update procurement card policies and procedures;
- Develop procurement card monitoring procedures; and
- Review procedures in place to obtain a higher rebate.

Response

County finance generally agreed with our recommendations. They are already implementing corrective action to address some of the improvements identified. Their full response is at the end of the report.

Audit Reports Issued

- Transportation Construction (Report #2016-6)
 - Change orders, checklists, comment logs and legal compliance
- Procurement Cards (Report #2016-4)
 - Training, technology, monitoring and rebates
- Justice Court (Report #2015-1)
 - Cash handling, collections and traffic diversion
- Risk Management (Report #2015-2)
 - Insurance rate calculations and monitoring

Fun Facts

- **4** Audit reports issued and available online
 - **69** audit recommendations being monitored
 - **20** resolved and **49** partially resolved or unresolved
- **32** Consulting engagements
 - Consulting engagements range from ~2 – 60 hours. Small consulting engagements under 2 hours are generally not counted above.
- **58** Hotline reports since inception (includes in-person and snail mail reports)



Won't you be my neighbor?



<u>Organization</u>	<u>Number of Internal Auditors</u>
Clackamas County	1
Multnomah County	9
Washington County	3
City of Portland	~12
Deschutes County	1
Lane County	1
Jackson County	3
Metro	6

Contact Us

Clackamas County Internal Audit

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Oregon City, Oregon 97045

(503) 742-5983

County Fraud, Waste and Abuse Hotline

1-866-294-9315

www.ethicspoint.com