Clackamas County Internal Audit Oversight Committee Meeting Materials Wednesday, July 16, 2025

Item #1 Proposed FY25-26 Audit Plan - Presentation

# Proposed FY25-26 Audit Plan

Internal Audit Oversight Committee

July 16, 2025

# FY25-26 Audit Plan presentation topics

- Roles and responsibilities
  - Office of County Internal Audit
  - Oversight Committee
- Risk assessment results
- Proposed FY25-26 engagement activity
- Engagement evaluation criteria
- Recommended Committee action

# Office of County Internal Audit role and responsibilities

- Prepare the audit plan
- Execute the audit plan



# Internal Audit Oversight Committee role and responsibilities

- Review the audit plan and provide feedback, considering:
  - independence
  - objectivity
  - resources
  - criteria
- Adopt the audit plan
- Monitor progress of audit plan execution

## Review of risk assessment results

Offices and departments\* with highest risk scores

- County Administration
- District Attorney's Office
- Transportation and Development
- Finance
- Health, Housing and Human Services

- Human Resources
- Sherrif's Office
- Technology Services
- Water Environment Services

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\* Presented alphabetically

### Inherent risk vs Residual risk Audit engagements assess residual risk



- What controls (best practices, industry standards) should be in place?
- How much risk are we willing to accept?

### Inherent risk vs Residual risk Audit engagements assess residual risk



Are the controls working the way we expect?

7

► How do we know?

# Proposed FY24-25 Engagement Activity

### Proposed FY25-26 Audit Engagements

- Finance: Asset management\*
- Juvenile Department: Youth services
- Special Districts: Governance and intergovernmental agreements
- Finance: Travel and training expenses
- Transportation and Development: Public Land Corners program
- District Attorney's Office: Deflection program

- Complete one in progress audit\*
- Start five new audits (completing 2-3 within fiscal year)
- Five county departments
- Public safety; planning and development; federal and state legal compliance; stewardship of public funds

# Audit engagement evaluation criteria

In compliance with professional standards (The Institute of Internal Auditors Standards)

The engagement:

- Is risk-based Engagements represent high or moderate risk areas based on the annual risk assessment (Standards 2000 & 2100)
- Supports County Strategic Priorities

   Engagement supports one of the five county strategic priorities, one of 10 Board of County Commissioners goals, and/or a department's mission (standards 2000 & 2100)
- Emphasizes public services and community impact – Engagement supports assessment of the availability, quality and equitable delivery of public services (Standards 2000 & 2100)

 Considers comprehensive coverage of county services and operations – Engagement supports long-term goal of

County Internal Audit interaction, assessment and impact within all county departments and divisions (Standards 1300, 2000 & 2100)

Optimizes County Internal Audit resources – County Internal Audit resources are adequate to conduct the engagement in a timely manner. County Internal Audit possesses the skills, knowledge, independence and objectivity to conduct the engagement. (Standards 1100, 1200 & 2030)

### Proposed FY25-26 engagement Juvenile Department: Youth Services

### Evaluation standards:

- Risk-based
- Supports county strategic priorities
- Emphasizes public services and community impact
- Considers comprehensive coverage of county services and operations
- Optimizes County Internal Audit resources

- Risk score: 468 (Moderate)
- Ensure safe, healthy and secure communities; Build public trust through good government
- Direct public service and community impact; High inherent risks
- Not previously audited
- Staff qualified to apply professional analytics; No resource barriers

### Proposed FY25-26 engagement Special Districts: Governance and intergovernmental agreements

### Evaluation standards:

- Risk-based
- Supports county strategic priorities
- Emphasizes public services and community impact
- Considers comprehensive coverage of county services and operations
- Optimizes County Internal Audit resources

- Risk score: 728 (High)
- Build public trust through good government
- Direct public service and community impact
- Broad impact on multiple districts and county processes
- Staff qualified to apply professional analytics; No resource barriers

### Proposed FY25-26 engagement Finance: Travel and training expenses

### Evaluation standards:

- Risk-based
- Supports county strategic priorities
- Emphasizes public services and community impact
- Considers comprehensive coverage of county services and operations
- Optimizes County Internal Audit resources

- Risk score: 711 (High)
- Build public trust through good government
- Indirect public service impact; Moderate inherent risks
- Not previously audited
- Staff qualified to apply professional analytics; No resource barriers

### Proposed FY25-26 engagement Transportation and Development: Public Land Corners program

### Evaluation standards:

- Risk-based
- Supports county strategic priorities
- Emphasizes public services and community impact
- Considers comprehensive coverage of county services and operations
- Optimizes County Internal Audit resources

- Risk score: 614 (High)
- Build a strong infrastructure; Ensure safe, healthy and secure communities; Build public trust through good government
- Direct public service and community impact
- Not previously audited
- Staff qualified to apply professional analytics; No resource barriers

### Proposed FY25-26 engagement District Attorney's Office: Deflection program

### Evaluation standards:

- Risk-based
- Supports county strategic priorities
- Emphasizes public services and community impact
- Considers comprehensive coverage of county services and operations
- Optimizes County Internal Audit resources

- ▶ Risk score: 502 (High)
- Ensure safe, healthy and secure communities; Build public trust through good government
- Direct public service and community impact; High inherent risks
- Not previously audited
- Staff qualified to apply professional analytics; No resource barriers

# Recommended Internal Audit Oversight Committee action

### Proposed FY25-26 Audit Engagements

- Finance: Asset management\*
- Juvenile Department: Youth services
- Special Districts: Governance and intergovernmental agreements
- Finance: Travel and training expenses
- Transportation and Development: Public Land Corners program
- District Attorney's Office: Deflection program

\* FY24-25 Audit Plan approved engagement; substantially completed

 Adopt updated Audit Plan to include five new audit engagements as proposed

Clackamas County Internal Audit Oversight Committee Meeting Materials Wednesday, July 16, 2025

### Item #2 Proposed FY25-26 Audit Plan

Clackamas County Office of County Internal Audit FY25-26 Audit Plan

July 2025

ID Site

Prepared by: Jodi Cechran, CPA, CIA, CGMA, CRMA County Internal Auditor

This FY25-26 audit plan, supported by the results of our annual risk assessment, was presented to and received by the Clackamas County Internal Audit Oversight Committee July 16, 2025.

The FY25-26 Office of County Internal Audit audit plan was adopted by the Clackamas County Internal Audit Oversight Committee on July 16, 2025.

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### **Executive summary**

#### FY25-26 Audit Plan update

The Office of County Internal Audit proposes to update the rolling strategic audit plan as follows:

- ✓ Complete one in-progress audit engagement approved in FY24-25.
   o Asset Management
- Carryforward and complete one audit engagement approved in FY24-25
   Juvenile department youth services program
- Complete two new audit engagements
  - Special Districts: Governance and intergovernmental agreements
    - o Travel and training expenses
- ✓ Start, as time allows, two new audit engagements
  - o Public Land Corners program
  - Deflection program

Conducting these audit engagements will assess programs within five county departments, focusing on public safety, public planning and development, federal and state legal compliance and stewardship of public funds.

This proposed FY25-26 audit plan will also support activities to update the Office's Quality Assurance and Improvement Program and it's 5-Year strategic plan, as recommended by the 2025 independent peer review.

#### Governance, risk management and control assessment

Together, the county's governance, risk management and control processes are the organizational foundation supporting successful service delivery. While opportunities for improvement are always present, the governance, risk management and control processes at Clackamas County overall meet current operating needs. The county continues to demonstrate its capabilities through its daily operations and specific public service achievements.

The county's governance, risk management and control processes support public service achievements.

### FY25-26 Audit Plan

# Proposed FY25-26 County Internal Audit audit plan with general time estimates

No significant impairments, in fact or appearance, to the Office of County Internal Audit's independence or objectivity have been noted in the prior year or are anticipated during the coming year. The Office of County Internal Audit is comprised of the County Internal Auditor and one Senior Internal Auditor. The County Internal Auditor reports functionally to the Internal Audit Oversight Committee, responsible for reviewing the proposed County Internal Audit projects and jointly establishing priorities for the strategic audit plan, and administratively to the County Treasurer. The County Internal Auditor prepares this report for the committee's review and adoption.

A total of 4,160 audit hours are available for this plan. The audit plan informs a rolling audit cycle. Thus, estimated planned hours exceed available hours. Not all proposed engagements are expected to be substantially started or completed in the audit plan period. Engagements started in one fiscal year will be completed in the following fiscal year. The prioritization of approved engagements not started will be considered in the following fiscal year audit planning.

Assurance and advisory engagements	2300
Finance – Asset Management <sup>1</sup>	
Juvenile Department – Youth Services <sup>2</sup>	
Special Districts – Governance and Intergovernmental Agreements	
Finance – Travel and Training Expenses	
DTD - Public Land Corner program	
District Attorney – Deflection program	
Annual audit recommendation monitoring	
Advisory activities	1300
Meetings and team participation	
Management requests (including county Good Government Hotline	
and external audit coordination/facilitation)	
Annual Risk Assessment	
Administrative activities <sup>3</sup>	1300
Administration, Training & Quality Assessment and	
Improvement Program	
Total planned hours	4900

<sup>&</sup>lt;sup>1</sup> Engagement adopted in Fy24-25 Audit Plan

<sup>&</sup>lt;sup>2</sup> Engagement adopted in Fy24-25 Audit Plan

<sup>&</sup>lt;sup>3</sup> Includes holiday, vacation; sick leave; training; Internal Audit Oversight Committee coordination and training; annual reporting; engagement with PNW ALGA, IIA Portland chapter of the Institute of Internal Auditors, and statewide CAE community; and staff management and administration of the audit function. (Estimated at 30% of available time, including 796 earned leave hours and 80 required training hours.)

### FY25-26 Assurance and advisory engagements

#### **Risk-based approach**

This risk-based plan defines annual county internal audit priorities, consistent with, and supporting, the county's goals and strategic initiatives.<sup>4</sup>

Nationally, the top areas of risk that organizations are expected to face in 2025 and 2026 include:

- inability to achieve sustainable public finances.
- economic slowdown or slow recovery.
- ✓ labor shortages and failure to attract or retain top talent.
- deficient digital capacity and cybersecurity.
- ✓ ineffective business continuity or lack of resilience to climate-related shocks.
- failure to adapt to a new geopolitical landscape.

Locally, the Board of County Commissioners is focused on five strategic priorities, including ensuring safe, health and secure communities<sup>5</sup>. The total FY25-26 proposed budget allocated to ensuring healthy, safe and secure communities was \$652 million. Of the county's proposed discretionary General Fund (\$183.5 million), over 71% was dedicated to public safety programs and services.

Considering these trends, past audits, and the county annual risk assessment, the Office of County Internal Audit recommends updating the audit plan to allocate available resources to the following engagements:

- Finance: Asset management FY24-25 engagement to be completed in FY25-26
- Juvenile Department: Youth services
   FY24-25 engagement to be completed in FY25-26
- Special Districts: Governance and intergovernmental agreements
- Finance: Travel and training expenses
- Transportation and Development: Public Land Corner program
- District Attorney's Office: Deflection program

<sup>&</sup>lt;sup>4</sup> The Institute of Internal Auditors Global Internal Audit Standards<sup>™</sup>: <u>Standard 9.2 & 9.4</u>
<sup>5</sup> Clackamas County <u>Performance Clackamas website</u>: Five strategic priorities: Build public trust through good government; Grow a vibrant economy; Build a strong infrastructure; Ensure safe, healthy and secure communities; and Honor, utilize, promote and invest in our natural resources

#### **Asset Management**

The Office of County Internal Audit is in the process of completing an approved audit of Clackamas County's asset management processes.

Finance Department

Asset management

Focus on good government stewardship of public money The county defines capital assets as assets with an initial cost of more than \$10,000 and an estimated life more than one year. Purchased or constructed capital assets, including property, plant and equipment, infrastructure (roads, bridges, drainage systems, and street lighting), right of ways and easements, are reported at cost and tracked. Additionally, the county owns sensitive assets, potentially not meeting the capital asset threshold, which may pose a security risk or liability if not adequately tracked and managed.

This audit engagement of the county's asset management system focuses on the risks and mitigation strategies associated with theft, maintenance and valuation of county assets. This engagement supports the board of county commissioners' strategic priority of building public trust through good government.

#### Youth Services, Safety and Accountability

Juvenile Department Youth services and accountability Focus on public safety Oregon's juvenile justice system is composed of a network of local and state partners. Governmental agencies providing primary direct services for youth in the juvenile justice system are county juvenile departments and the Oregon Youth Authority. Recently, county juvenile department leaders have called for increased transparency from the Oregon Youth Authority. Amid internal and external investigations of a severe backlog of abuse reports, the agency director

was terminated, and a safety oversight group was established in early 2025.

The juvenile justice system is the system in charge of dealing with juvenile crime. It is different from the adult criminal system. The juvenile system concentrates on holding youth accountable for their actions, keeping the public safe, and repairing the harm in the community. At the local level, county juvenile departments



provide sanctions and services to youth ages 12-17, who are referred primarily for law violations by law enforcement agencies.

"The mission of the Clackamas County Juvenile Department is to provide equitable juvenile justice, family support, intervention, and reformation services to youth so they can repair harm to victims, experience positive change, and



contribute to a safe, healthy, and secure community."<sup>6</sup> The Juvenile Department provides targeted interventions designed to hold youth accountable and teach youth new skills while simultaneously working to restore victims and the community. Many of these services intersect with other county, government and community services.

An audit engagement of Juvenile Department services will provide assessment and assurance addressing potential public safety risks – to youth, their families and our communities. The efficacy and efficiency of cross-system services may be evaluated, resulting in greater collaboration opportunities between other county, government and community entities. This engagement supports the board of county commissioners' strategic priorities of ensuring a safe, healthy and secure community and building public trust through good government.

#### Special districts: Governance and intergovernmental agreements

The Clackamas County Board of County Commissioners is made up of five county residents who are elected to four-year terms. Working together, the board is charged with acting in the best interest of the county and its constituents.

Office of County Counsel Intergovernmental

agreements

Focus on transparency and accountability The five Clackamas County elected commissioners also serve collectively as the governing bodies for other service districts and authorities that are considered separate from the Clackamas County Board of Commissioners. These nine entities are the:

- ✓ Board of Health
- Clackamas County Development Agency
- Clackamas County Extension and 4-H Service District
- Clackamas Water Environment Services
- Enhanced Law Enforcement District
- ✓ Housing Authority
- ✓ Library Service District of Clackamas County
- North Clackamas Parks and Recreation District
- ✓ Service District No. 5 (Street Lighting)

Additionally, the board of county commissioners appoint the governing bodies of other separate entities, including the Clackamas County Fair Board and the Clackamas County Vector Control District Board.

As the governing bodies for these separate entities, the five-member collectives are also charged with acting in the best interests of the individual entities and related constituents. Many of the intergovernmental relationships between these entities and Clackamas County are directed by intergovernmental agreements between the parties.

The Clackamas County Office of County Counsel is engaged in the oversight, processing and retaining of all intergovernmental agreements entered by the

<sup>6</sup> Clackamas County Juvenile Department website

county. This oversight is like that of the county's Finance procurement division when facilitating all county contracts. The processes for contract administration are more robust in nature and documentation than the processes guiding the administration of intergovernmental agreements.

An audit engagement of the governance structures and intergovernmental agreements supporting separate entities governed collectively by the five elected county commissioners will enhance the transparency and accountability of these relationships. This engagement supports the board of county commissioners' strategic priority of building public trust through good government.

#### Travel and training expenses

Clackamas County employs a staff of over 2,500 full-time equivalent individuals. The county's Human Resources department states "training is a key element in gaining the tools to do our jobs effectively and expand our skills." In addition to offering a broad range of in-house training opportunities, the county is committed to supporting its staff through off-site training opportunities, including engagement with professional resources and peers through conferences.

Finance Department

Travel and training expense

Focus on good government stewardship of public money Through its travel policy and program manual, the county has an established travel program which outlines the parameters of eligible travel expenses for county business purposes and defines the roles, responsibilities and authorities governing the program. Training and travel expenses combined accounted for over \$2 million in general county expenses in both fiscal years 2024 and 2025.

In April 2025, the Oregonian published the results of its journalistic investigation focused on travel expenses recorded by the Clean Water Services agency. As a result of the investigation, the Washington County Commissioners acting as the agency Board of Directors for Clean Water Services, hired an independent auditor to perform a three-year review of travel and food spending.

Clackamas County travel and training expenses have not been reviewed by the Office of County Internal Audit. While the county contracts for annual financial audit services, this financial activity is not specifically addressed in the auditor's opinion and is most likely below the materiality threshold used for in-depth analysis by the external financial auditors.

An audit of the county's travel and training expenses will provide assessment and assurance addressing the county's stewardship of public dollars. This engagement will support the board of county commissioners' strategic priority of building public trust through good government.

#### Public Land Corner program

The United States created public land corners in 1852 to encourage Oregon Territory settlement. Oregon public land corners are the foundational markers of



landownership. These corners, often found at section and quarter-section, are the basis for all public and private land boundaries in the state.

Transportation and Development Department – County Surveyor

Public and private land boundaries

Focus on delivery of mandated services and property ownership Most of the original posts, stones and other objects set as monuments did not survive. Oregon law requires the maintenance and re-establishment of public land corners by county surveyors.

During the fiscal year 2025-2026 Clackamas County budget presentations, the Transportation and Development Director highlighted funding challenges directly impacting the public land corner program. "Due to the large deficit [created by a decline in recording fees] for FY25-226, [the department] can no longer staff the [public land corner] program and will need to reduce the number of hours staff perform this mandated service."

On May 19, 2025, the governor signed into law House Bill 3175 which removed the cap on fees a county may charge to fund the county's activities related to public land survey corners. Removing the \$10 fee cap, which was set in statute in the 1980s, allows boards of county commissioners and county courts to set a document recording fee commensurate to local needs. This change to Oregon statute is effective on January 1, 2026.

An audit of the county's public land corner program would assess the status of the program and its compliance with Oregon law. This independent review would support the department's and county surveyor's efforts to strategically address program effectiveness, efficiencies and financial needs. This collaborative effort is supported and requested by department management. As this program is foundational to all public and private land decisions, this engagement will support all five of the board of county commissioners' strategic priorities: build a strong infrastructure; honor, utilize, promote and invest in our natural resources; grow a vibrant economy; ensure safe, healthy and secure communities; and build public trust through good government.

#### Deflection program

District Attorney's Office

> Deflection program

Focus on public health and safety In 2024, House Bill 4002 created the Behavioral Health Deflection Grant Program to support Oregon's federally recognized tribal governments and counties in the development and operation of deflection programs. State law defines these programs as collaborative programs between law enforcement agencies and behavioral health entities that assist individuals who may have substance use disorder, another behavioral health disorder or co-occurring disorders, to create community-based pathways to treatment, recovery support services, housing, case management or other services.

The Oregon legislature issued just over \$20 million to stand up deflection programs in the state. It was estimated Clackamas County would receive over \$950,000 through June 2025 in support of a Clackamas County deflection program.

In 2025, House Bill 3069 addressed continued funding of deflection programs. Future grant applications and deflection funding calculations will be addressed by the Criminal Justice Commission.

Clackamas County has enacted a deflection program for people who use drugs to "deflect" these individuals away from the criminal justice system and into a treatment program. The goal of the deflection program is to prevent a person's entry into the criminal justice system. The District Attorney's website indicates "programs like this can make a significant, positive impact in the lives of people who may experience interactions with the criminal justice system."

Per the District Attorney, "Clackamas County's Operations Management Group oversees the deflection program. This group includes leaders representing law enforcement, community corrections, the Clackamas County Behavioral Health Division, the Clackamas County Health, Housing and Human Services Department, the Clackamas County Community Court defense attorney, court staff, the county's Behavioral Health Resource Network partners and other outreach and treatment partners. The group meets periodically to review the program, and have access to all of the program's data. The group will help the Clackamas County District Attorney's Office manage the forward path of the program."

An audit of the county's deflection program would assess the status of the program, its compliance with grant agreement terms, and the development of program data. This collaborative effort would support the strategic focus of the Operations Management Group and proactively assist in the ongoing program development process. This engagement will support the board of county commissioners' strategic priorities of ensuring safe, healthy and secure communities and building public trust through good government.

### FY25-26 Advisory and administrative services

Chief Audit Executive duties The County Internal Auditor is the county's Chief Audit Executive. Chief Audit Executive administrative duties are the management functions needed to maintain an effective internal audit presence within the county. These tasks include connecting and collaborating with county leadership, management and staff; networking with other government chief audit executives; developing a collaborative network of other county internal audit functions; ensuring effective communication between the Office of County Internal Audit and county staff; ensuring the Office of County Internal Audit is complying with auditing standards; supporting the Clackamas County Internal Audit Oversight Committee; and providing leadership to promote value to the county through audit work.

Advisory services The County Internal Auditor participates in a variety of county projects in an advisory capacity. This includes attending meetings, collaborating in workgroups, developing a visible presence in the county, supporting and responding to daily management and staff inquiries, and researching potential county risks and audit topics. Additionally, the County Internal Auditor assists management in building formal risk management processes into the county strategic planning, provides consultative support and information related to risk management practices, and facilitates risk management assessments.

Governance, risk management, and control process assessment The Office of County Internal Audit assesses governance, risk management, and control processes to guide the annual strategic audit plan, as well as determine the continued effectiveness of the county's internal control structure in accordance with criteria established in the Internal Control Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. This general assessment builds on the foundation developed during previous assessments. County leadership receives the assessment in detail, including observed opportunities for improvement.

Quality assurance and improvement program Under professional auditing standards, the Office of County Internal Audit is required to have an annual internal program related to quality assurance and improving the internal audit function. Professional standards also require that an external quality assurance review be conducted once every five years. The Office of County Internal Audit participated in a State of Oregon reciprocal peer review program in 2025 and received the highest rating of "Generally Conforms." As a program participant, the office will provide staff resources to two State of Oregon peer review teams within the next five years.

External audit support The Office of County Internal Audit serves as a clearinghouse for final reports and communications regarding all external audits and reviews, including local, state, and federal program reviews; and other operational, licensure, and professional compliance monitoring activities. The Office of County Internal Audit continues to build capacity and countywide awareness to meet this expectation.

### **Risk assessment results**

The Office of County Internal Audit conducts an annual risk assessment to identify, analyze and evaluate potential risks to the county's ability to achieve its objectives. Professional standards<sup>7</sup> require the Office of County Internal Audit to establish a systematic, risk-based approach to determine the priorities for internal audit activities. The Office of County Internal Audit conducted the risk assessment to provide insight into county leadership and to aide in the allocation of County Internal Audit resources.

The Office of County Internal Audit established a risk assessment methodology, based on industry standards and best practices<sup>8</sup>.

- Auditable units were identified (Exhibit D).
- Risk criteria were defined and used in determining an overall risk score for each potential auditable unit (Exhibit C).
- The results were sorted to identify those auditable units with the highest risk scores (Exhibit B).

A risk is the potential of an event happening that could impact the county's ability to achieve its objectives. A high-risk score generally indicates if something were to go wrong it could have a significant impact. <u>A high-risk score does not mean an auditable unit is being managed ineffectively or internal controls are inadequate</u>. A unit with a high-risk score merely indicates that the services or functions it is responsible for are, by nature, high priority activities with high-risk potential because of factors such as:

- having a large amount of expenditure or revenues.
- having sensitive assets, such as cash, election ballots or data.
- management's assessment of the control environment.
- a high degree of public interest.

Based on the risk assessment analysis, the county district, offices and departments facing the highest risk potential include<sup>9</sup>:

- County Administration
- District Attorney's Office
- Department of Transportation & Development
- Finance
- Health, Housing and Human Services
- Human Resources
- Sheriff's Office
- Technology Services
- Water Environment Services

<sup>8</sup> Wright, Rick; The Internal Auditor's Guide to Risk Assessment; IIA, 2018

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A high-risk score does not mean an auditable unit is being managed ineffectively or internal controls are inadequate.

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<sup>&</sup>lt;sup>7</sup> The Institute of Internal Auditors Global Internal Audit Standards<sup>TM</sup>: <u>Standard 9.4</u>

<sup>&</sup>lt;sup>9</sup> Departments listed alphabetically. Complete Risk assessment results provided at Exhibit B

The Office of County Internal Audit scored risk for each auditable unit by:

- receiving input from key stakeholders.
- evaluating unit complexity.
- assessing how the county would be impacted if a detrimental event were to occur in the unit.
- recognizing the unit's revenues and expenditures.
- · applying professional judgment.

Information learned while providing Office of County Internal Audit assurance and advisory services contributed to the identification and compilation of risk areas considered as audit plan topics for the auditable units facing the highest risks. The Office of County Internal Audit also considered any recent unit change or any residual risk due to past audit findings or known deficiencies. Results of the risk interviews and the prior departmental self-evaluations in the areas of control environment, risk assessment, control activities, information & communication, and monitoring activities played a part, as well, in the evaluation.

Audit topics were selected for the FY25-26 audit plan based on:

- high risk level.
- auditability.
- enhancement of the county's governance, risk management and control activities.
- Office of County Internal Audit familiarity.
- Office of County Internal Audit resource availability.
- the county's risk awareness, culture, and appetite.

Both the selected and remaining risk topics identified provide the evolving foundation for future annual risk assessments and the ongoing Office of County Internal Audit strategic audit plan.

Areas of highrisk potential:

County Administration, DA's Office, DTD, Finance, H3S, HR, Sheriff's Office, TS. and WES

### Auditable Units Model by Risk Score

Department and Line of Business / Program	Risk Score	Risk Category	Trend	FY25- 26 Audit Plan
H3S - Health Centers	764	High		
Debt	751	High		
H3S - Housing & Community Development	746	High		
H3S - Social Services	744	High		
County Administration	728	High	$\uparrow$	Yes
Finance - Executive Support	711	High		Yes
CCSO - Public Safety	698	High		
DTD - Community Services	696	High		
WES	619	High		
CCSO - Administration	614	High		
DTD - Transportation Services	614	High		
CCSO - Law Enforcement	566	High		
Non-Departmental	553	High		
CCSO - Sheriff Operating Levy	548	High		
CCSO - Training	547	High		
HR - Benefits, Wellness, Leave Management	527	High	$\uparrow$	
DA - District Attorney's Office	502	High	$\uparrow$	Yes
H3S - Public Health	500	High		
H3S - Behavioral Health Division	500	High		Yes
H3S - Children, Family & Community Connections	492	High		
Finance - Facilities Management	485	High		Yes
TS - Communication Services	479	High		
TS - Technical Services	479	High	^	
HR - Administration	474	Moderate	-	
HR - Employee & Labor Relations Management	472	Moderate	$\uparrow$	
Juvenile - Accountability & Reformation	468	Moderate	-	Yes
HR - Risk & Safety Management	419	Moderate	$\uparrow$	
DA - Justice & Public Safety	403	Moderate	$\uparrow$	Yes
DTD - Development Services	390	Moderate	-	Yes
County Clerk's Office	382	Moderate	$\downarrow$	
Finance - Financial Management & Accountability	382	Moderate	-	Yes
Finance - Accounting Services	379	Moderate	-	
A&T - Valuation	368	Moderate	-	
North Clackamas Parks & Recreation District (NCPRD)	368	Moderate	$\downarrow$	
ELED	367	Moderate	-	
DA - Victim & Support Services	358	Moderate	$\uparrow$	

H3S - Administration	356	Moderate	$\downarrow$	
Finance - Courier & Mail Operations Services	351	Moderate	-	
TS - Applications	343	Moderate	-	
Library Services	342	Moderate	-	
Disaster Management & Medical Examiner	322	Moderate	-	
TS - Administration	317	Moderate	-	
CCDA	310	Moderate	-	
CCOM - Clackamas 911 Services	310	Moderate	$\uparrow$	
DTD - Visioning Services	295	Low	-	
DTD - Administrative Services	285	Low	-	
HR - Workforce Design	262	Low	-	
A&T - Property Tax Revenue & Records	254	Low	-	
Treasurer's Office - Treasury	237	Low	-	
DA - Family Support	233	Low	-	
Juvenile - Youth, Family, Stakeholder & Community	231	Low	-	
Juvenile - Public Safety	227	Low	$\downarrow$	
Extension and 4H Service District	222	Low	$\downarrow$	
Juvenile - Administration	212	Low	$\downarrow$	
County Administration - Tourism & Cultural Affairs				
Services	198	Low	-	
PGA - Communications, Engagement & Advocacy	188	Low	-	
PGA - Strategy, Policy & Brand Identity	182	Low	-	
A&T - Administration	172	Low	-	
County Counsel - Administration	146	Low	-	
County Counsel - Legal Support	131	Low	-	
County Counsel - Litigation & Labor	131	Low	-	
Justice Court	117	Low	-	
Street Lighting	117	Low	-	
Law Library - Administration	86	Low	-	
Misc/Pass-Through - WES Salary Reimbursement	25	Low	-	
Misc/Pass-Through _County School Fund_	25	Low	$\downarrow$	
Misc/Pass-Through - NCPRD Salary Reimbursement	25	Low	-	
Misc/Pass-Through - CCDA Salary Reimbursement	25	Low	$\checkmark$	
Misc/Pass-Through - DTD	25	Low	-	

### **Risk Factor Definitions and Scoring Criteria**



A Risk Assessment Survey Score – The Office of County Internal Audit (Office) held interviews with key stakeholders from the various auditable units to help gain an understanding of risks and obstacles each department is facing and to gain a more thorough understanding of the duties and responsibilities of each department. These interviews were used to score the following areas of the department.

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

The Office scored these 5 topic areas based on professional experience, input received from stakeholders throughout the County, and Office observations. Data collected during the 2021 and 2022 interviews formed the foundation for this assessment. This data was updated based on professional judgement. No significant changes to the

historical interview assessment scores were made. The maximum interview score is 40. The minimum interview score is 10.

The Office added weight to the interview scores based on three factors:

- The combined number of county Good Government Hotline reports and Human Resources employment complaints received in fiscal year 2024 and 2025.
- The number of risk claims processed by Risk Management in fiscal year 2024 and 2025.
- The number of Lessons Learned recommendations issued by County Counsel in fiscal year 2024 and 2025.

GGH & HR Complaints	Score
0	0
1	10
2	15
3+	20

Risk Claims	Score
0	0
<5% of all claims	10
5 - 10% of all claims	15
>10% of all claims	20

Counsel Recommendations		Score
0		0
1		10
2		15
3+		20

The maximum score a unit could obtain from the GGH & HR Complaints scoring would be 20 points, and the minimum possible score an audit unit could obtain from this scoring would be 0 points.

The maximum score a unit could obtain from the Risk Claims scoring would be 20 points, and the minimum possible score an audit unit could obtain from this scoring would be 0 points.

The maximum score a unit could obtain from the County Counsel Lessons Learned Recommendations scoring would be 20 points, and the minimum possible score an audit unit could obtain from this scoring would be 0 points.

This combined survey score was placed into Column A. The highest score possible for this section of the risk assessment was 100 (40+20+20+20) points and the lowest was 10 (10+0+0+0) points.

**B** Complexity of Unit and Impact to county – The Office scored each unit based on an understanding of the complexity of processes overseen by the unit and the impact that an actual error in the unit's processes could have on the county. Complexity and impact were broken into the following six areas.

- Strategic
- Operational
- Financial

- Information Technology
- Legal/Regulatory Compliance
- Reputation/Customer Service

The Office scored each of these six complexity/impact areas (0 to 2) per auditable unit. The total complexity/impact score was used as a "multiplier" to help assess risk. The total complexity/impact scores were placed in Column B and used to compute Column C for each unit. The highest risk score possible for Column C, after the risk "multiplier" was considered, was 1200 points and the lowest was 10 points.

**D** Financial Impact Score – The Office scored each auditable unit based on how much revenue the unit processed during fiscal year 2024 and how much expenditure the unit incurred during fiscal year 2024. Scoring of this attribute reflected the concept that as the amount of revenues and/or expenditures increases in a unit, the risk for that unit also increases. The Office used fiscal year 2024 financial data extracted from the county's accounting system. Total revenue and expenditure being processed were used to score the financial risk using the matrix below.

Financial Impact	Multiplier
> \$25,000,000	.10
\$25,000,000 to \$15,000,001	.08
\$15,000,000 to \$6,000,001	.06
\$6,000,000 to \$2,000,001	.04
\$2,000,000 to \$0	.02

The highest score a unit could obtain from the financial risk scoring would be 120 (1200 \* .10) points, and the lowest possible score an audit unit could obtain from this scoring would be .2 (10 \* .02) points.

E Last Time Audited by the Office of County Internal Audit Score – The Office assessed and scored audit frequency. The Office used the following methodology when scoring the lapse of time since the last internal audit.

Last Time Receiving IA	
Never Audited	25
Audited 10+ yrs. Ago	15
Audited 8 yrs. Ago	9
Audited 5 yrs. Ago	7
Audited 3-4 yrs. Ago	5
Audited by IA in 2019	3
Audited during 2020 by IA	-

The highest score a unit could obtain from the audit frequency scoring would be 25 points, and the lowest possible score an audit unit could obtain from this scoring would be 0 points.
**F** BCC Strategic Initiatives Score – The Office scored each auditable unit based on how much impact the unit has on the successful implementation of the Board of Commissioners' 10 strategic goals. A risk score was assigned using the following Implementation Team participation matrix.

Strategic Impact - Implementation Team partici	pation
Team lead	4
Team member	2
Non-participant	-

The highest combined risk score possible for Column **F** was 40 (10\*4), lowest 0 (10\*0).

Note: The county has paused the formal use of strategic implementation teams during its strategic plan revisioning processes. The input for this score was zero. Use of this input when calculating a risk score will be revisited after the Board of County Commissioners updates its strategic plan.

**G** Total Risk Score - The total risk score, the sum of Columns **C** to **F**, was placed in Column **G**. The highest attainable total risk score was 1385 points, and the lowest 10.2. The Office designates high, moderate, and low risk units by general top, middle, and bottom third segments, sorted from highest to lowest risk score.

#### Auditable Units - Summary Descriptions

Defining the audit universe is a critical step in helping plan future internal audits at the county. Each auditable unit must be distinct and contain activities structured to obtain common objectives. Auditable units were generally identified based on discussions with staff and management, the "line of business" structure outlined in the county's accounting software, the department structure outlined on the county's website<sup>10</sup>, and the Department Strategic Plans<sup>11</sup>. For the risk assessment, these were the auditable units. (Note: Due to minor changes in the county's accounting chart of accounts, some miscellaneous pass-through units are not defined here. Additionally, this summary focuses primarily on General Fund units.)

Assessment and Taxation – Administration – The purpose of the County Administration Line of Business is to provide leadership, guidance, consultations and support services to the Board of county commissioners, county Departments and the public so they can achieve and experience world-class customer service and results from Clackamas County government.

Assessment and Taxation – Property Tax Revenue & Records – The purpose of the Property Tax Revenue & Records Line of Business is to provide tax and property information services to the public, property owners, taxpayers, and taxing districts so they can receive quality customer service and timely and accurate information for decision making purposes.

Assessment and Taxation – Valuation – The Purpose of the Valuation Line of Business is to provide appraisal, statistical, analytical, special program eligibility, dispute resolution and correction services to property owners and taxpayers so they can have confidence that property is valued at 100% of real market value and they are paying the correct amount of tax.

Clackamas 911 (CCOM) – Clackamas 911 Services – The purpose of the Clackamas 911 Services line of business is to provide professional call processing, dispatching, technical and administrative services to the public, businesses and government agencies so they can have expedited and efficient access to public safety resources for emergency, non-emergency and life-critical events.

County Administration – County Administration – The purpose of the County Administration Line of Business is to provide leadership, guidance, consultations and support services to the Board of County Commissioners, county departments and the public so they can achieve and experience world-class customer service and results from Clackamas County government.

County Administration – Tourism & Cultural Affairs Services – Tourism and Cultural Affairs is charged with developing and administering a comprehensive destination marketing plan to enhance the quality of life for residents by achieving optimal economic benefit from tourism for county businesses, attractions and government. The Tourism program is funded by a countywide 6% transient lodging tax focused solely on tourism promotion and development that is guided by the Tourism Development Council and a five-year Master Plan approved by the BCC.

County Clerk – Clerk's Office – The purpose of the Clerk's Office is to provide elections, records management, recording, property tax appeals, marriage and liquor licenses, and passport services to the public, county departments and other government jurisdictions so they can promptly and efficiently conduct their business in a welcoming environment.

County Counsel – Legal Support – The purpose of the Legal Support Line of Business is to provide easy-to-access, easy-to-understand advisory, regulatory and transactional services to the

<sup>10</sup> e.g., https://www.clackamas.us/departments

<sup>&</sup>lt;sup>11</sup> e.g. https://www.clackamas.us/performance/plans.html

county, its elected officials, departments and special districts so they can make well-advised, timely, legally informed decisions, and keep the delivery of services to the public moving.

County Counsel – Litigation & Labor – The purpose of the Litigation and Labor Line of Business is to provide advice and representation at trial, mediation or other arenas, to the county, and its elected officials, departments and special districts, so they can manage and minimize risk, be represented in lawsuits, and appropriately administer labor and employment laws.

County Counsel – Office of the County Counsel Administration – The purpose of the Office of the County Counsel Line of Business is to provide leadership, oversight, and legal consultation services to the county, and its elected officials, departments and special districts, so they can effectively implement their policy objectives, achieve success for county operations, and minimize risk and adverse results for the county.

Disaster Management – Disaster Management & Medical Examiner – The purpose of the Disaster Management and Medical Examiner Line of Business is to provide critical coordination and response services to impacted individuals and communities who may be experiencing the worst days of their lives so they can recover.

District Attorney (DA) – District Attorney's Office – The mission of the Clackamas County District Attorney is to provide leadership, support, and criminal justice services to the community and crime victims so they can experience justice and safety.

District Attorney (DA) – Family Support – The purpose of the Family Support Line of Business is to provide establishment, enforcement, and case management services to families so they can support their children.

District Attorney (DA) – Justice & Public Safety – The purpose of the Justice & Public Safety Line of business is to provide adult and juvenile criminal prosecution and support services to the public, crime victims, courts and law enforcement so they can experience and deliver justice, fairness and public safety.

District Attorney (DA) – Victim & Support Services – The purpose of the Victim Support & Services Line of Business is to provide 24/7 comprehensive, collaborative advocacy, consultation, and victim rights services to crime victims and their families, prosecutors, and law enforcement so they can experience and provide a meaningful role in the criminal justice process, be safe, and be treated fairly, impartially, with dignity, and respect.

Finance – Accounting Services – The purpose of the Accounting Services line of business is to provide accounting support services to county employees and departments so they can receive accurate and timely reporting.

Finance – Courier & Mail Operations Services – The purpose of the Courier & Mail Operations Services line of business is to provide coordinated mail and package processing and distribution services to county departments so they can conveniently receive and send mail and packages that support their business operations.

Finance – Facilities Management – The purpose of the Facilities Management line of business is to provide preventative and corrective maintenance, construction and energy management services to the tenants of county managed facilities so they can conduct business in energy efficient, well-maintained, clean, safe and secure facilities.

Finance – Financial Executive Support – The purpose of the Financial Executive Support Line of Business is to provide leadership, and administrative support services to department employees and system users so they have the tools and the information to do their job in alignment with the department's and Board of County Commissioners' strategic priorities.

Finance – Financial Management & Accountability – The purpose of the Financial Management & Accountability line of business is to provide strategic financial planning, sourcing,

and reporting services to county departments so they can manage resources in a fiscally responsible manner and make informed decisions that support the achievement of their strategic and operational results.

Health, Housing & Human Services (H3S) – Behavioral Health Division – The purpose of the Behavioral Health Division Line of Business is to work collaboratively with community partners to ensure the provision of coordination, support, outreach, education, and treatment services to Clackamas County residents so they can achieve their mental health and addiction recovery goals.

Health, Housing & Human Services (H3S) – Children, Family & Community Connections – The purpose of the Children, Family & Community Connections Line of Business is to provide prevention, education, employment, and weatherization services to vulnerable residents of Clackamas County so they can experience healthy home, work, and school environments.

Health, Housing & Human Services (H3S) – H3S Administration – The purpose of the H3S Administration Line of Business is to provide leadership and guidance services to the H3S Divisions and key internal and external stakeholders so they can meet service and program goals, have confidence in H3S, and seek out H3S for resources and guidance.

Health, Housing & Human Services (H3S) – Health Centers – The purpose of the Health Centers Line of Business is to provide patient-centered health care services to vulnerable populations so they can experience improved physical, dental, and behavioral health wellness.

Health, Housing & Human Services (H3S) – Housing & Community Development – The purpose of Housing & Community Development Line of Business is to provide housing, shelter, revitalization, and supportive services to individuals and families in need so they can experience healthy, safe, and affordable housing in neighborhoods with improved access to services. The purpose of the Housing Authority of Clackamas County is to provide voucher, public housing, development, maintenance, resident, and supportive services to individuals and families in need so they can experience stable, affordable, and guality housing

Health, Housing & Human Services (H3S) – Public Health – The purpose of the Public Health Line of Business is to provide environmental health inspections and licenses, policy and assessment, access to care, infectious disease control, and education services to residents and businesses so the public can appropriately prevent, respond, and take action to ensure clean and safe places and a healthy population.

Health, Housing & Human Services (H3S) – Social Services – The purpose of the Social Services Line of Business is to provide case management, financial support, information and referral, meaningful opportunities, and advocacy services to older adults, people with disabilities, Veterans, low income, and houseless persons so they can meet their basic needs, receive benefits they have earned, have choice in their life decisions, and successfully engage in their community.

Human Resources (HR) – Administration – The purpose of the Administration Line of Business is to provide human resources direction, executive consultation and policy decision, and workforce data services to county administration, county departments and employees so they can have a business partner to achieve strategic and operational results.

Human Resources (HR) – Benefits, Wellness, Leave Management – The purpose of the Benefits and Wellness Line of Business is to provide comprehensive benefits, disability management, planning, education and consultation services to county departments, and employees so they can create a workplace culture committed to practices that sustain a healthy and productive workforce and preserve financial resources.

Human Resources (HR) – Employee & Labor Relations Management – The purpose of the Employee and Labor Relations Administration Line of Business is to provide collective bargaining and labor contract administration services to BCC, County Administration, and departments so they can define, understand, and administer employee relations, labor relations and discipline of employment and dispute resolution.

Human Resources (HR) – Risk & Safety Management – The purpose of the Risk and Safety management Line of Business is to provide comprehensive loss prevention and control, risk management, planning education and consultation services to county departments, and employees so they can create a workplace culture committed to practices that eliminate risk, sustain a healthy and productive workforce and preserve financial resources.

Human Resources (HR) – Workforce Design – The purpose of the Workforce Design Line of Business is to provide workforce planning and development, classification and compensation, and recruitment and selection services to county departments so they can plan for, attract and retain the qualified and diverse workforce they need to achieve their strategic results.

Justice Court – Justice Court Services – The purpose of the Justice Court Services line of business is to provide judicial services to the public so they can access multiple options for resolution of violation citations and civil cases.

Juvenile Department – Accountability & Reformation – The purpose of the Accountability line of business is to provide intervention, and compliance monitoring services to youth so they can be accountable to victims and the community and repair harm they have caused. The purpose of the Reformation line of business is to provide targeted evaluation and rehabilitative services to youth so they can increase the competencies needed to transition to adulthood, live a crime free life, and be a contributing member of their community.

Juvenile Department – Administration – The purpose of the Administration line of business is to provide strategic planning, resource management, and continuous quality improvement services to the Juvenile Department so it can foster and sustain a high performance, responsive, and customer-focused culture and organization, and work effectively with community partners and stakeholders.

Juvenile Department – Public Safety – The purpose of the Public Safety line of business is to provide assessment and detention services to youth so they can receive the appropriate level of monitoring and services that provides for community safety.

Juvenile Department – Youth, Family Stakeholder & Community - The purpose of the Youth, Family, Stakeholder and Community Collaboration line of business is to address the evaluation treatment services program, the prevention, early intervention and family support program and the Juvenile Intake and Assessment Center.

Law Library – Administration – The Clackamas County Bar Association appoints the Law Library committee which administers the Law Library. The library is entirely funded by an allocation of court "pass-through" fees and the one Law Library in Clackamas County exists in accordance with Oregon Revised Statute 9.815.

Public & Government Affairs (PGA) – Communications, Engagement & Advocacy – The purpose of the Communications, Engagement and Advocacy Line of Business is to provide information, consultation, coordination, and advocacy services to the people of Clackamas County, their Board of County Commissioners, and other countywide elected officials so they can develop and strengthen relationships, achieve their policy priorities, and the people of Clackamas County can thrive.

Public & Government Affairs (PGA) – Strategy, Policy & Brand Identity – The purpose of the Strategy, Policy and Brand Identity Line of Business is to provide strategic planning and

messaging, policy analysis, and support services to the people of Clackamas County, their Board of County Commissioners, other countywide elected officials, and Public and Government Affairs staff so they can have equitable access, make informed decisions, and achieve results.

Sheriff's Office (CCSO) – Administration – The purpose of the Administration Line of Business is to provide executive leadership, administrative support, and operational support services to Sheriff's Office employees so they can deliver quality law enforcement and public safety services to the community.

Sheriff's Office (CCSO) – Enhanced Law Enforcement District – The purpose of the Enhanced Law Enforcement District (ELED) Program is to provide enhanced public safety, community partnership, education, and law enforcement services to those who live, work, and play within the ELED so they can enjoy safe, livable communities.

**Sheriff's** Office (CCSO) – Law Enforcement – The purpose of the Law Enforcement Line of Business is to provide law enforcement and offender accountability services to the people of Clackamas County so they can experience and contribute to a safe and secure community.

Sheriff's Office (CCSO) – Public Safety – The purpose of the Public Safety Line of Business is to provide security and protection through offender accountability services and court order enforcement to the people of Clackamas County so they can experience and contribute to a safe and secure community.

Sheriff's Office (CCSO) – Sheriff Operating Levy – The Sheriff Operating Levy is identified as part of the Sheriff's Office and is used for tracking financials separately. For the purposes of the risk assessment, this program is identified its own auditable unit.

Sheriff's Office (CCSO) – Training – The purpose of the Training Line of Business is to provide training, professional development, and personal wellness services to Sheriff's Office employees so they can achieve professional and personal fulfillment and deliver quality law enforcement and public safety services throughout their career.

Technology Services (TS) – Administration – The purpose of the Administration Line of Business is to provide strategic technology, policy, planning and operational support services to Technology Services staff so they can support county departments in effectively utilizing technology resources in the performance of their jobs.

Technology Services (TS) – Applications – The purpose of the Applications Line of Business is to provide business analysis, application development, data, geospatial and application integration, software installation and maintenance services to county departments and the public so they can utilize technology to make informed business decisions, have timely and reliable access to the information to share with their customers and to achieve desired results.

Technology Services (TS) – Communication Services – The purpose of the Communication Services Line of Business is to provide telecommunications and fiber optic services to county departments and external agencies so they can meet their business communication requirements.

Technology Services (TS) – Technical Services – The purpose of the Technical Services Line of Business is to provide reliable and secure technical infrastructure and customer support services to county departments and partner agencies so they can utilize technology resources to conduct their business.

Transportation & Development (DTD) – Administration – The purpose of the Department Administration line of business is to provide leadership, management, communication financial and emergency support services to the Board of County Commissioners, decision-makers, department staff, other county departments, other agencies and the public, so they can provide

well-managed programs so people can live, work, play and do business in Clackamas County safely and successfully.

Transportation & Development (DTD) – Development Services – The purpose of the Development Services line of business is to: provide survey resources and plat reviews; provide public land corners restoration and preservation; foster development, environmental protection, and preserve natural resource lands; help ensure a safe and vibrant built environment by providing permitting, plan review and inspection; protect public health and water quality by providing information, plan review, permitting and inspection services to properties not served by sewer systems; review, permit and inspect required infrastructure to ensure consistency with engineering standards and regulations.

Transportation & Development (DTD) – Visioning Services – The purpose of the Visioning Services line of business is to: support community design and economic investment based on coordinated policies that guide future development; provide coordination and strategic planning efforts with city, regional and state partners while delivering project management services, and securing grant funding; provide analysis, business growth opportunities, coordination of services for businesses, and workforce, community partners and policy makers.

Transportation & Development (DTD) – Transportation – The purpose of the Transportation line of business is to provide traffic operations, engineering services, safety-related education and commercial vehicle inspections to users of the transportation system so they can travel safely and efficiently in Clackamas County. The purpose of the Fleet Services program is to provide fleet management and vehicle and equipment maintenance and repair services to public agencies so they can conduct business in safe, reliable and cost-effective vehicles.

Transportation & Development (DTD) – Community Services – The purpose of the Community Services line of business is to: provide access to education, recreation, community and cultural services; provide integrated systems, shared operational support, and ongoing collaboration services to libraries in Clackamas County; provide code education, resolution and enforcement; provide dog sheltering, reunification, placement, licensing, complaint resolution, protection and enforcement; provide sustainability and solid waste education, technical assistance, program management, planning to reduce waste, conserve resources, and oversee franchise program; provide outdoor recreation, camping and land stewardship; provide forest, timber, and natural resource management for Clackamas County forestlands, and provide funding for county parks; provide management and disposition of tax foreclosed properties, repurposing for public benefit or returning them to the tax rolls;

Treasurer's Office – Internal Audit Services – The purpose of the Internal Audit Services Line of Business and Internal Audit Program is to provide assurance and consulting services to the public, employees, and departments of Clackamas County so they can feel confident that the public's interest is protected and can engage with a more accountable, higher performing, and more transparent local government.

**Treasurer's** Office – **Treasury Services** – The purpose of the Treasury Services Line of Business and Treasury Program is to provide active banking, accounting, investing, managing, distribution, and safeguarding services to the public of Clackamas County so they can trust that their funds are secure and to the taxing districts and departments of Clackamas County so they can efficiently and effectively provide services to their customers.

Water Environment Services (WES) – The mission of Water Environment Services is to provide resource recovery and watershed protection services to our community so we can live, work, and play in a healthy environment. WES consists of 4 lines of business: Business Services, Capital, Environmental Services, and Operations. The WES Payroll serves as a program for financial

purposes for the pass-through dollars and will be used to calculate the financial component of the risk assessment. The purpose of the Business Services Line of Business is to provide administrative, human resources, and budgetary services to department employees, and advisory and budget committee members, so they can provide effective, well managed services and information to members of communities served by WES. The purpose of the Capital Line of Business is to provide strategy, analysis, projection, and new infrastructure services to WES ratepayers and decision makers so they can make well-informed decisions leading to timely and cost-effective infrastructure. The purpose of the Environmental Services Line of Business is to provide monitoring and assessment and pollution prevention services to WES staff, and permitting services to permit applicants, and the broader community so they can access and appropriately use WES' infrastructure and understand their potential impact on water quality. The purpose of the Operations Line of Business is to provide collection and conveyance, treatment, and resource recovery services to ratepayers so they can have properly functioning infrastructure that supports healthy waterways and a vibrant economy.

###

Clackamas County Internal Audit Oversight Committee Meeting Materials Wednesday, July 16, 2025

Item #3 Clackamas County Circuit Courthouse audit – Report presentation

# Clackamas County Circuit Courthouse:

One Project. Two Phases.

Report by the Office of County Internal Audit

# Why the Audit is Important

The construction project is among the largest in county history and the project agreement includes a 30-year payment obligation

- Real-time observations provided opportunities to enhance operations during the project.
- Audit report provides a contract administration sustainability tool – a high-level summary of project agreement.
- Five recommendations were made to support contract administration activities and facilitate process improvement and risk mitigation.
- The County Operating Officer and Project Manager agreed with all five recommendations.



# What We Found

The building was constructed on-time and on-budget. Intentional awareness and management will be required to maintain the building and meet payment obligations for 30-years



- Positive outcomes were noted in each of the four project success indicators: timeliness, budget, quality, and effectiveness
- Economic growth factors used to estimate total project agreement value represent a best-case scenario
- Balancing project management tasks and routine operational tasks challenged staff
- Change order packets lacked documented evidence of review by all county subject matter experts
- Contract and supporting documents were not centrally accessible in the contract retention system administered by the procurement team

# What We Recommend

Five recommendations supporting contract administration activities were made and were designed to facilitate process improvements and enhanced risk mitigation.



Forecast the annual courthouse payments using the same Consumer Price Index growth rate assumption generally applied to the 30-year General Fund forecast.

Provide annual courthouse project agreement status reports to the Clackamas County Board of County Commissioners.

Retain all Clackamas County Circuit Courthouse Project Agreement contract documents, including the final supporting financial model, amendments and change orders, in the contract file within the county's procurement retention system.

# What We Recommend

Five recommendations supporting contract administration activities were made and were designed to facilitate process improvements and enhance risk mitigation.



Take actions to strengthen sustainability, quality and consistency of contract administration over 30-year life of contract.

Identify and document lessons learned to inform future capital construction projects



# What is Being Done

The County Operating Officer and Project Manager agrees with all five recommendations.



- Changes to county forecast model and reporting, relative to courthouse price agreement payments, are being considered
- The status of the courthouse project agreement will be reported to the board of county commissioners annually
- All contract documents will be retained in the county's procurement retention system September 2025
  - A workgroup has been formed to establish a contract administration legacy plan May 2025
- A method to document lessons learned from the courthouse construction project is being considered – September 2025

Clackamas County Internal Audit Oversight Committee Meeting Materials Wednesday, July 16, 2025

Item #4 Clackamas County Circuit Courthouse - Audit report

# Clackamas County Circuit Courthouse

# One project. Two phases.

May 2025 Report #2023-02 Report by the Office of County Internal Audit

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

> > Kathy Yeung, CPA, CIA Senior Internal Auditor



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# I. Executive Summary





#### Phase I Meeting time and cost goals of building the courthouse

# Phase II

Sustaining 30-years of contract administration The Clackamas County Circuit Courthouse construction project is nearing the August 29, 2025, completion date on time and on budget. The county began facilitating relocation activities in early May 2025 and the courthouse was officially opened to the public on May 19, 2025. The county's project management team worked hard to achieve these milestones.

Oversight of the project agreement between Clackamas County and Clackamas Progress Partners will be transitioning from a construction project management priority to a long-term contract administration priority. To strengthen quality, sustainability and consistency of contract administration over the 30-year contract life, guidance should be developed and documented.

Meeting the price agreement payment terms, county payments will be adjusted annually using an inflation index based on a 2022 Consumer Price Index. Scenario analysis of potential inflation factors demonstrates the sensitive nature of the 30-year payment forecast. County forecasting and budgeting activities will be essential in monitoring and reporting these impacts during the contract's life.



Figure 1 Source: Prepared by the Office of County Internal Audit based on project agreement and indexation calculations detailed in figure 14. See Appendix A



#### Thank you

## Acknowledgements and gratitude

This report was developed with the assistance of many county partners.

County Operating Officer and Project Manager Nancy Bush and Finance Director Elizabeth Comfort, as the primary engagement contacts, have contributed their time and effort to provide access to the information and data cited. These contributions significantly supported the completion of this review. This support was provided by Nancy Bush and Elizabeth Comfort while they were simultaneously managing and contributing to the project and maintaining daily operating activities. Time dedicated to all these goals is much appreciated.

Collaborative efforts are vital to the county's ability to successfully meet objectives, as well as identify, thoroughly analyze, and appropriately respond to risks. We demonstrate our core values, SPIRIT<sup>1</sup>, when we collectively and proactively identify steps to streamline processes, strengthen controls, and mitigate risks.

In addition to County Operating Officer and Project Manager Nancy Bush and Finance Director Elizabeth Comfort, special thanks to Caroline Hill, Tony Mayernik, Andrew Jarocki, Jeff Jorgensen, Stephen Hill, Daniel Robertson, Rick Cole, Steven Bloemer, Ryan Rice, Juli Johnson, Nate Boderman, Stephen Madkour, Andrew Naylor, Amanda Keller, Tori Klaus, Jane Vetto, Caleb Huegel, Gari Johnson, Ed Nieto, Mark McBride and Dylan Blaylock, as well as many others that supported this audit engagement. This list cannot begin to be comprehensive or fully recognize the many individuals who also committed significant amounts of time and energy to the courthouse construction project while continuing to fulfill their daily operating responsibilities.

<sup>1</sup> Clackamas County Core Values - Service, Professionalism, Integrity, Respect, Individual Accountability, Trust

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# Five recommendations for supporting contract administration activities

# **Recommendations**

Five recommendations supporting contract administration activities for the Clackamas County Circuit Courthouse Project Agreement are offered. These recommendations are designed to facilitate process improvements and enhance risk mitigation. Detailed observations and recommendations are included in this report.



Forecast the annual courthouse payments using the same Consumer Price Index growth rate assumption generally applied to the 30-year General Fund forecast.



Provide annual courthouse project agreement status reports to the Clackamas County Board of County Commissioners.



Retain all Clackamas County Circuit Courthouse Project Agreement contract documents, including the final financial model, amendments and change orders, in the contract file within the county's procurement retention system.



Take actions to strengthen sustainability, quality and consistency of contract administration over 30-year life of contract.



Identify and document lessons learned to inform future capital construction projects.

#### Management response

Management generally agrees with the recommendations made and has provided detailed responses in this report.

# II. Background



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## What - The project timeline

Clackamas County has constructed a new 257,000 square-foot circuit courthouse on the county's Red Soils campus in Oregon City.

#### Procurement phase

On May 20, 2021, the Board of County Commissioners authorized a competitive proposal process to obtain a Public-Private Partnership ("P3") project company to design, construct, partially finance, operate and maintain the Clackamas County Circuit Courthouse. The county's procurement process included a request for qualifications, with eight bidding teams responding, and the selection of three bidders eligible to respond to the request for proposal. Clackamas Progress Partners was awarded the 30-year contract. The project agreement was executed on August 30, 2022.

#### **Design-build construction phase**

Construction for the replacement courthouse started in late 2022. The county project management structure was implemented – both internally and through a third-party. Progress was communicated and monitored through weekly meetings and monthly reporting. This ensured the county was engaged with the project and was aware of any delays or issues encountered. An Occupancy Readiness Certificate was issued on May 1, 2025. The first Clackamas County Circuit Court case was held on the Clackamas County Red Soils Campus on May 19, 2025.

The final completion date for the construction project is August 29, 2025. The project is on track to meet this target.

#### Facilities operation and maintenance phase

Facilities management services began on the occupancy readiness date. Clackamas Progress Partners' facilities management responsibilities, which include scheduled and unscheduled maintenance and renewal and replacement activities, are defined in the facilities management services agreement incorporated into the project agreement between the county and Clackamas Progress Partners. When the courthouse is officially turned over to the county in 2055, Clackamas Progress Partners is required to have maintained the building to a standard



defined in the project agreement and with a remaining useful life of at least 20 years. Technical performance reviews are required to be conducted throughout the 30-year contract term to ensure adequate maintenance, repair, replacement and life cycle activities are achieved by Clackamas Progress Partners.

Contract administration of the Clackamas County Circuit Courthouse Project Agreement has begun transitioning from a construction project management structure. The county has indicated it intends to address ongoing contract administration responsibilities through existing county facility staff resources. The county will receive the first monthly service fee invoice from Clackamas Progress Partners in June 2025. The county's administration and monitoring of the project agreement, including participation in technical performance reviews, will continue for the agreement term of 30 years.

# Who - The project organization

The courthouse construction and operation project is a collaboration between Clackamas County and Clackamas Progress Partners, a private sector company. The public-private partnership model shares the responsibilities and risks of the project with the intent of enhancing cost management, schedule management, product quality, sustainability and innovation, while minimizing long-term operating and maintenance costs.<sup>2</sup>

#### **Clackamas County**

Clackamas County designed a project management structure supported by an internal project team and an external advisory and technical resource.

The county operating officer has been assigned the role of project manager and serves as the county representative and primary county point of contact for the project. Subject matter experts representing legal, finance, facilities management, procurement, public & government affairs functions and the Sheriff's Office have been identified and support the project within their specific areas of county expertise. During the design and construction phase of the project,

<sup>2</sup> PCL Construction, Website 10.3.2023 featured story – Partnering for Success: The Case for Public-Private Partnerships in America



all internal courthouse project roles and responsibilities were assigned to employees with existing county duties and other assigned activities.

WT Partnership, an international advisory firm<sup>3</sup>, was contracted to provide technical services and to serve in the role of owner representative for the county. WT Partnership's services include overseeing the project and representing the county's interests throughout the design and construction process, ensuring the technical requirements contained in the project agreement are met. WT Partnership's role as owner representative will end upon completion of the construction project.

#### **Clackamas Progress Partners**

Clackamas Progress Partners manages its project responsibilities through contractual relationships with key industry participants.

Fengate Capital is an "alternative investment manager focused on infrastructure, private equity and real estate strategies<sup>4</sup>" and serves as the developer.

PCL Construction Services, Inc is "an international construction leader<sup>5</sup>" and serves as the design-builder for the project.

DLR Group is "an integrated design firm<sup>6</sup>" and served as the lead architect for the project through PCL Construction Services, Inc.

Honeywell International, Inc.<sup>7</sup> specializes in building automation expertise and serves as the facilities manager for the project.

#### State of Oregon connections

While being occupants and financially interested parties of the completed courthouse, the State of Oregon, the Oregon Judicial Department, the Oregon Department of Human Services

- 3 WT Partnership website
- 4 Fengate Capital website
- 5 PCL Construction website
- 6 DLR Group website
- 7 Honeywell International website



and the Oregon Public Defense Commission are not parties to the project agreement. The legal relationships supporting occupancy and state authorized funding are defined by separate agreements between each entity and the county.

The Oregon Judicial Department, as a primary occupant and champion of the courthouse project, significantly engaged in all phases of the project, providing feedback, insight and support. This collaboration contributed to the on-time and on-budget project achievements and the enhanced accommodation provided by the new circuit court location.

# Why - The decision to build a new courthouse

The county chose to use a public-private partnership model for its courthouse construction project to meet legal requirements, address need and leverage funding options.

#### Legal requirement

All Oregon counties with a circuit court, including Clackamas County, are required to provide suitable and sufficient courtrooms, offices and jury rooms for the court, the judges, employees and juries. Counties are also required to provide utilities and building maintenance for these facilities.<sup>8</sup>

#### Need - space, safety and security

The new courthouse building and facilities replace the prior courthouse that was built in 1936. The replaced courthouse was designed to serve a population of less than 50,000. Clackamas County's population now exceeds 430,000 and continues to grow. The county designed the "new and energy-efficient replacement courthouse to provide significantly more room and security for courthouse visitors and staff, and to serve the community for many decades to come."<sup>9</sup>

8 OregonLaw Oregon Revised Statute ORS 1.185 9 Clackamas County Summer 2024 Courthouse Project FactSheet



#### Opportunity - state funding

The Oregon State legislature created the Oregon Courthouse Capital Construction and Improvement Fund in 2013<sup>10</sup> which allows counties that meet certain requirements to receive funding for up to 50% of the capital cost<sup>11</sup> of a new county courthouse.

In support of the Clackamas County Circuit Courthouse construction project, the State of Oregon committed a total of \$139.5 million. Most of this funding was received by the county and used in May 2025 for the \$130,000,000 project agreement milestone payment due at the building occupancy readiness date.

10 <u>Oregon Law 2013, Chapter 705</u> 11 State 50% match funding is available for capital construction costs. Facilities operation and maintenance costs associated with the 30-year project agreement are not eligible for the 50% match.

# **III.** Observations



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## **Success indicators**

Project successes, while unique to each project, can be evaluated in four categories: timeliness, budget compliance, quality and effectiveness<sup>12</sup>. Clackamas County can demonstrate positive outcomes in each.

#### Timeliness

The county "started the clock" four years ago, nearly to the day, when the Clackamas County Board of County Commissioners approved a competitive procurement process to select a private partner and enter a public-private partnership. Without any added days, the county began moving into the new space as scheduled. The Clackamas County Circuit Court opened its doors on the Clackamas County Red Soils Campus on May 19, 2025.

#### Budget

The county intentionally managed revisions to the design and construction of the courthouse during the design-build phase, limiting the number of approved change orders to 26 as of the occupancy readiness date. Over half of the change orders were zero sum, adding no additional costs to the project total. The total net cost of all change orders, as of the occupancy readiness date, increased the total project agreement value by less than 0.04%.

#### Quality

The county and Clackamas Progress Partners have engaged with the local communities and interested parties regularly throughout the project. Public presentations have been made to the Clackamas County Board of County Commissioners, members of the community and other partners.

Based on the independent building expert's<sup>13</sup> monthly reports, the project agreement requirements have been satisfactorily met on a consistent basis. No noted concerns were identified during audit testing of the independent monthly status reports.

13 The county, Clackamas Progress Partners, and BTY US, LLC entered into an independent building expert agreement on August 30, 2022.

<sup>12</sup> ClearPoint Strategy, Project Management Services, Website Blog

The facilities management phase will end 30 years after the initial occupancy readiness date.

#### Effectiveness

According to the independent building expert's monthly reports as of May 2025, the courthouse is on track to be completed as designed, addressing community and environmental impacts. "Best practices in use of materials, systems and energy efficiency are embedded within the design to attain LEED Version 4.1 Gold Certification, the next generation standard for green building design, construction, operations and performance." The building is "defined by an abundance of daylight with uninterrupted views providing a powerful connection to the outdoors, supporting the principles of trauma-informed design by engaging people's natural affiliation for nature and views."<sup>14</sup>

## Project Agreement total value - Two projects in one

#### Build the building - Maintain the building

The Clackamas County Circuit Courthouse Project Agreement has two distinct phases: the design-build period and the facilities management period. The design-build period is the period from the financial close date<sup>15</sup> through the occupancy readiness date<sup>16</sup>. The facilities management period begins at the occupancy readiness date and ends on the termination date, 30 years later.

The total value of the project agreement covers both phases, designing and building the courthouse and maintaining the courthouse, as well as costs payable to Clackamas Progress Partners for financing and managing the 30-year project.

When the project agreement was signed on August 30, 2022, the estimated total value of the contract was \$619,996,000.

<sup>14</sup> Clackamas County website, Courthouse FAQ, 4.30.2025

<sup>15</sup> The point where all financing arrangements are finalized, and the project can proceed. Project agreement financial close date is August 30, 2022.

<sup>16</sup> In general, the date the building is ready for use for the purpose of normal courtroom, court office and other related operations. The project agreement defines 11 conditions to be met to achieve occupancy readiness. The project agreement occupancy readiness date is May 1, 2025.



Project Agreement	Original Agreement Value, August 30, 2022	
Design-build agreement value	\$229,972,140	
Facilities management agreement value	\$112,190,230	
Clackamas Progress Partners	\$277,833,630	
Total Project Agreement	\$619,996,000	

Figure 2 Source: Prepared by the Office of County Internal Audit based on project agreement

The project agreement establishes an annual payment schedule which meets the estimated total contract value of \$619,996,000 at the end of the 30-year contract term.

The capital portion, \$326,904,870, of the project agreement value is fixed and will not change over time. The \$130,000,000 one-time milestone payment made on May 7, 2025, was also a fixed cost established by the project agreement.

The total value of the project agreement is an estimated amount because the facilities management portion of the contract is impacted by inflation and is adjusted annually to reflect changes in the Consumer Price Index<sup>17</sup>. The total estimated project agreement value on August 30, 2022, was calculated using an annual escalation factor of 1.8%, as defined by the project agreement.

Project Agreement – Payment components	Original Agreement Value, August 30, 2022 – Total of scheduled payments over 30 years
Milestone payment at occupancy readiness date	\$130,000,000 (fixed cost)
Capital payments	\$326,904,870 (fixed cost)
Facilities management payments	\$163,091,130 (variable cost - impacted by inflation)
Total Project Agreement	\$619,996,000

Figure 3 Source: Prepared by the Office of County Internal Audit based on project agreement

17 U.S. Bureau of Labor Statistics Consumer Price Index

The capital portion of the project agreement value is fixed and will not change over time. Good planning at the beginning of the project reduced change orders and cost increases.

# Change orders - Less than 0.04% increase in project costs

#### Costs

As of May 1, 2025, a total of 26 change orders were approved by the Clackamas County Board of County Commissioners or by the county administrator through delegated authority. The largest change order value was a \$771,773 reduction in the project agreement value, reflecting value-engineering adjustments at the beginning of the project. The smallest non-zero-sum change order value resulted in an increase of \$24,353. One change order added security components requested by the Oregon Judicial Department totaling \$272,200. The county received equal payment from the Oregon Judicial Department to reimburse this cost.

The impact of all change orders, including the Oregon Judicial Department requested items, increased the project agreement value by \$263,039 for a total project agreement value of \$620,259,039. This is an increase of less than 0.04%.

The 26 change orders primarily revised the design-build construction contract scope of work and value. The design-build agreement total value grew from \$229,972,140 to \$230,169,818. This is an increase of less than 0.09%.

Project Agreement	Original Agreement Value August 30, 2022	Change Order Value	Agreement Value at Occupancy Readiness Date May 1, 2025
Design-build value	\$229,972,140	\$197,678	\$230,169,818
Facilities management value	\$112,190,230	(\$8,314)	\$112,181,916
Clackamas Progress Partners	\$277,833,630	\$73,675	\$277,907,305
Total Project Agreement	\$619,996,000	\$263,039	\$620,259,039

Figure 4 Source: Prepared by the Office of County Internal Audit based on project agreement and executed change orders as of May 1, 2025



The anticipated project occupancy readiness date of May 1, 2025, was achieved. The total net change order value of \$263,039 was paid to Clackamas Progress Partners in addition to the milestone payment on May 7, 2025. This increase in the project agreement value does not impact future service fee payments outlined in the 30-year payment schedule.

Project Agreement	<b>Agreement Value,</b> <b>May 1, 2025</b> Total of scheduled pay- ments over 30 years	Payment Schedule
Milestone payment at occupancy readiness date	\$130,000,000	Single payment May 7, 2025
Change Order reconciliation payment	\$263,039	Single payment May 7, 2025
Capital payments	\$326,904,870	360 monthly installments
Facilities management payments	\$163,091,130	360 monthly payments
Total Project Agreement	\$620,259,039	

Figure 5 Source: Prepared by the Office of County Internal Audit based on project agreement

No additional time was added to the project construction schedule. The anticipated project occupancy readiness date of May 1, 2025, was achieved.

#### Controls

A good internal control environment consists of well documented procedures and an appropriate level of authorization to ensure controls are functioning as intended<sup>18</sup>. The Clackamas County Board of County Commissioners is fiscally responsible for funds entrusted to the county through property taxes and other funding methods, including the courthouse project matching funds committed to by the State of Oregon.

The Clackamas County Board of County Commissioners reviews and approves the awarding of contracts, including those involved in construction projects, according to its Local Contract

<sup>18</sup> Internal Control - Integrated Framework, Committee of Sponsoring Organizations, COSO



12 of the 26 change orders were tested by the Office of County Internal Audit. Review Board Rules<sup>19</sup>. A change order, which is reviewed and recommended by the project manager, represents an amendment to the contract, and requires the same level of approval by the board of county commissioners. The board of county commissioners is informed of all change orders, their nature and the financial impact to ensure proper fiscal responsibility is exercised. Zero-sum change orders are approved by the county administrator and reported to the board of county commissioners.

Through Board Order #2022-63, the Clackamas County Board of County Commissioners reviewed and approved of the draft Clackamas County Circuit Courthouse Project Agreement. Additionally, the board order delegated signing authority to County Administrator Gary Schmidt on July 7, 2022. The project agreement was signed by Gary Schmidt and became effective on August 30, 2022.

The Office of County Internal Audit tested 12 of the 26 approved change orders to determine if they were properly prepared, supported by appropriate documentation, reviewed by the required county subject matter experts, approved by the Clackamas County Board of County Commissioners and fully executed as approved.

Exceptions were noted in two instances. The substantiating documentation for subtrade work was missing from one change order packet. The supporting documentation for one change order was revised after it was approved by the board of county commissioners and before it was signed by the Clackamas County Board of County Commissioners Chair. The revision resulted in a \$2,100 reduction in the design-build contract value.

It was noted that for all 12 change orders tested, no documented evidence was provided in the change order packet demonstrating reviews by county subject matter experts other than the reviews by the project manager and county counsel. County subject matter expertise and input was sought, as needed and determined appropriate by the project manager, and documented through informal processes including emails.

In contrast, the project's contracted facilities manager, Honeywell, was required to review every project agreement change order prior to final execution. It was Honeywell's responsibility to

<sup>19</sup> Clackamas County Local Contract Review Board Rules


Review of change orders by county project teams and documenting these reviews would decrease the risk of a missed review or delayed communication. determine whether the change order term and scope would impact the facilities management activities and what, if any, impacts should be recognized. The documentation for this determination was included in all change order packets tested.

Encouraging review of change orders by all county project team subject matter experts (e.g. finance, facility, public and government affairs, technology services and the Sheriff's Office teams) and formally documenting these additional reviews with a review log would decrease the risk of a missed review or delayed communication. Timely project awareness and feedback would be enhanced. The potential to detect errors would be increased.

#### Contract administration transition

The approved change orders, as of the occupancy readiness date, did not substantially increase or decrease the facilities management service agreement total cost of \$112,181,916. Four of the 26 change orders did make construction adjustments that would have impacted facilities operation and maintenance costs if the activity was to be performed by the facilities management company.

In all these instances, the county stated it was assuming responsibility for the operating and maintenance activity costs, estimated to be \$859,795 with contractor mark-up. As these activities will be outside of the normal operation and maintenance environment for the courthouse building, it will be important for the county to capture these exceptions and plan for adequate coverage and attention in future years. This will support adequate maintenance and reinvestment in the courthouse building – ensuring its ongoing, useful life at the end of the 30-year facilities management service agreement.



Total payment includes both fixed capital charge and variable facilities management charge.

## 30-Year Courthouse payment schedule

#### Annual payments - Fixed vs adjusted costs

Starting on the occupancy readiness date, May 1, 2025, the county is required to make monthly payments to Clackamas Progress Partners for the design, construction, financing, operation and maintenance of the Clackamas County Circuit Courthouse. The payments have a fixed component and a variable component.

The total payments the county is obligated to pay Clackamas Progress Partners include both the fixed capital charge and the variable facilities management charge. The annual unadjusted base amounts range from \$14,021,295 to \$15,711,333 over the 30-year project agreement.

Service Fee Components	Minimum Annual Service Fee Unadjusted	Maximum Annual Service Fee Unadjusted
Capital charge - fixed	\$10,867,536	\$10,867,536
Facilities management charge - unadjusted	\$3,153,759	\$4,843,797
Total Annual Service Fee Payment – Unadjusted		\$15,711,333

Figure 6 Source: Prepared by the Office of County Internal Audit based on project agreement

#### Fixed

The project agreement fixes the capital charge payment, for the design, construction and partial financing, at \$10,867,536 per year. This amount is constant and will not be increased or decreased because of the economic environment.

#### Variable

The facilities management payment is the total of the costs associated with the operation, maintenance and partial financing of the courthouse. The facilities management charge is established within the project agreement based on 2022 values. There are two components to the facilities management charge: operation and maintenance and renewal and replacement.



Costs fluctuate as building ages and systems are renewed or replaced. Each year, these costs are adjusted to reflect the current economic environment relative to 2022. The project agreement defines these costs as index-linked.<sup>20</sup>

The unadjusted operation and maintenance annual cost is set at \$3,153,759.

The unadjusted annual cost of equipment and system renewal and replacement ranges from \$0 to \$1,690,038 annually. The renewal and replacement component will fluctuate as the building ages and systems are renewed or replaced. The average unadjusted annual costs for system renewal and replacement by contract periods are approximately:

- Contract years 0 to 4 \$25,000
- Contract years 5 to 9 \$350,000
- Contract years 10 to 14 \$800,000
- Contract years 15 to 30 \$1,000,000

Combined, the unadjusted annual cost associated with managing the courthouse facilities, in 2022 dollars, ranges from \$3,153,759 to \$4,843,797.

Facilities Management Charge	Minimum annual facilities management charge – unadjusted	Maximum annual facilities management charge – unadjusted				
Operation & maintenance component	\$3,153,759	\$3,153,759				
Renewal & replacement component	\$0	\$1,690,038				
Total Facilities Management Charge – Unadjusted	\$3,153,759	\$4,843,797				

Figure 7 Source: Prepared by the Office of County Internal Audit based on project agreement

<sup>20</sup> See Appendix A for Index-linked calculation and data



Clackamas Progress Partners is required to submit an annual report which identifies and calculates that fiscal year's inflation factor.

#### FY24 and FY25 Actual payments - Index-linked

Each year, the annual unadjusted costs detailed in the price agreement are multiplied by a Consumer Price Index factor to state the 2022 costs in current dollars, reflecting the economic environment when the service fees are paid.

The actual index-linked inflation factors for the three years since the base year of 2022 have been 4.8%, 8.7%, and 10.8%<sup>21</sup>, respectively in 2023, 2024 and 2025. These are higher than the estimated inflation factors of 1.8%, 3.6% and 5.5%, respectively, for the same years based on the project agreement escalation factor of 1.8%.





Figure 8 Source: Prepared by the Office of County Internal Audit based on project agreement and CPI Series CUURN400SA0. See Appendix A

Clackamas Progress Partners is required to submit to the county an annual report which identifies and calculates that fiscal year's inflation factor. Each monthly invoice submitted by Clackamas Progress Partners applies this factor and presents the adjusted, index-linked facilities management service fees.

<sup>21</sup> See Appendix A for Index-linked calculations and data

# \$

Service fees for contract years 0 and 1 will be higher because the actual inflation factors are higher. Clackamas County reviewed and agreed with the first annual report, issued on May 14, 2025. The index-linked factors for contract year 0 (May 2025 through June 2025) and contract year 1 (July 2025 through June 2026) are 1.086841 and 1.108320, respectively. The invoiced service fees for contract year 0 and contract year 1 will be higher than estimated in the August 2022 project agreement because the actual inflation factors, 8.7% and 10.8%, are higher than the estimated 1.8% annual growth factors of 3.6% and 5.5% for the same periods.

#### Original Agreement Value Estimate - Escalated @ 1.8%

Project Agreement	BASE	FY24	<b>FY25</b> (2 months)	<b>FY26</b> (12 months)
Factor		1.8%	<b>3.6%</b> <sup>22</sup>	5.5% <sup>23</sup>
Capital payments <sup>24</sup>	\$10,896,829		\$1,816,138	\$10,896,829
Facilities management payments <sup>25</sup>	\$3,153,759		\$544,719	\$3,327,146
Total Annual Service Fee Payment		No Payment Due	\$2,360,857	\$14,223,975

Figure 9 Source: Prepared by the Office of County Internal Audit based on project agreement and CPI Series CUURN400SA0. See Appendix A

#### Project Agreement Value to be Paid Index-linked - Adjusted to actual CPI factor

Project Agreement	BASE	FY24	<b>FY25</b> (2 months)	<b>FY26</b> (12 months)
Factor		4.8%	8.7%	10.8%
Capital payments <sup>26</sup>	\$10,896,829		\$1,816, <mark>1</mark> 38	\$10,896,829
Facilities management payments <sup>27</sup>	\$3,153,759		\$571,273	\$3,495,374
Total Annual Service Fee Payment	\$14,050,588	No Payment Due	\$2,387,411	14,392,203

Figure 10 Source: OCIA prepared based on project agreement and CPI Series CUURN400SA0. See Appendix A

22 Escalation factor calculation 1.018 \* 1.018 = 1.036

23 Escalation factor calculation 1.018 \* 1.018 \* 1.018 = 1.055

24 Fixed installment, not index-linked. Not adjusted for inflation.

25 No renew or replace costs in contract years 0 - 2 (FY24 - FY26).

26 Fixed installment, not index-linked. Not adjusted for inflation.

27 No renew or replace costs in contract years 0 - 2 (FY24 - FY26).



The facilities management portion of the contract is impacted by inflation and is adjusted annually.

#### Forecasting - Consumer Price Index<sup>28</sup> growth assumptions

The total value of the project agreement is an estimated amount because the facilities management portion of the contract is impacted by inflation and is adjusted annually to reflect changes in the Consumer Price Index. The total estimated project agreement value on August 30, 2022, is calculated using an annual escalation factor of 1.8% to represent annual inflation rate. In August 2022, the 10-year annual average Consumer Price Index growth rate was approximately 2%.

An analysis of the annual average Consumer Price Index growth rates beginning in 1997 indicates a 28-year annual average growth rate of approximately 2.4%. The 9-year annual average for the period of 2016 to 2024 is approximately 3.4%.<sup>29</sup>



Annual Average Inflation Rates 1997 to 2024

Figure 11 Source: Prepared by the Office of County Internal Audit based on CPI Series CUURN400SA0. See Appendix A

Inflation is impacted by many factors. Predicting growth rates over 30 years is challenging due to many economic and geopolitical factors that can influence inflation. While some predictive

<sup>28</sup> All references to Consumer Price Index data refer to the <u>US Bureau of Labor Statistics CPI-U Series CUURN-</u> 400SA0, the Inflation Index defined in the Project Agreement. See Appendix A

<sup>29</sup> See Appendix A for the US Bureau of Labor Statistics Consumer Price Index Series.



An analysis of escalation scenarios between average sustained growth rates demonstrates the exponential impact of small adjustments over 30 years. models can provide reasonable short-term forecasts, applying these assumptions for a long period like 30 years becomes more uncertain.<sup>30</sup>

An analysis of a variety of escalation scenarios between average sustained growth rates of 1.8% and 3% demonstrates the exponential impact of small adjustments over 30 years. Historical inflation averages indicate that using a 1.8% growth factor to estimate the total project agreement value appears to represent a best case scenario.

Higher growth factors in 2024 and 2025 have contributed to an increase of approximately \$200,000 over the estimated amounts due in the first two fiscal years of the contract. This increase will be payable in FY25 and FY26. These higher than estimated growth rates also contribute to a total projected cost increase of \$8.5 million over the 30-year contract. If the average growth rate is greater than 1.8% over the life of the contract, the cost increase could be higher.

Annual Courthouse Service Fee Payment Forecast



Figure 12 Source: Prepared by the Office of County Internal Audit based on project agreement and indexation calculations detailed in figures 13 and 15. See Appendix A.

<sup>30</sup> Forecasting inflation, Scholars at Harvard



## Estimated growth rate suggested in the project agreement.

Project Agreement Estimates of total scheduled payments over 30 years as of May 15, 2025	Original August 2022 estimate w/ 1.8% annual growth over 30 years	Index-linked actual w/ estimated 1.8% annual growth after FY26	Index-linked actual w/ estimated 2% annual growth after FY26	Index-linked actual w/ estimated 3% annual growth after FY26
Milestone payment at occupancy readiness date	\$130,000,000	\$130,000,000	\$130,000,000	\$130,000,000
Change Order reconciliation payment	\$263,039	\$263,039	\$263,039	\$263,039
Capital payments	\$326,904,870	\$326,904,870	\$326,904,870	\$326,904,870
Facilities management payments	\$163,091,130	\$171,329,853	\$176,949,256	\$208,544,427
Total Project Agreement	\$620,259,039	\$628,497,762	\$634,117,165	\$665,712,336
Increase from Original Estimate, \$619,996,000	\$263,039	\$8,501,762	\$14,121,165	\$45,716,336

Figure 13 Source: Prepared by the Office of County Internal Audit based on project agreement and indexation calculations detailed in figure 15. See Appendix A

The county's General Fund 30-year forecast model identifies key assumptions used in calculating and projecting future revenues and expenses. In its February 25, 2025, forecast, the county stated generally applied Consumer Price Index growth rates as follows:

- FY25: 5%
- FY26: 3%
- FY27 through FY30: 3.5%
- FY31 through FY56: 3%

The county's January 9, 2024, and February 25, 2025, General Fund 30-year forecasts, as provided to the Clackamas County Board of County Commissioners, presented the courthouse expenses for these same time periods using the 1.8% estimated growth rate suggested in the project agreement. This variance from the county's stated general forecasting model was not identified in the stated assumptions.



Successful management of projects is grounded in fundamental rules and principles. While the project agreement establishes an escalation factor of 1.8% to estimate future annual payments, the county may consider forecasting courthouse payment obligations at a different rate. As the courthouse payment obligations are tied to actual Consumer Price Index growth rates, and these growth rates are trending higher than 1.8%, consistent application of the county's higher forecasting assumptions is justified. If the county applies different Consumer Price Index growth rates to different types of forecasted expenditures, including courthouse payments, identifying these varying assumptions will add transparency and clarify forecasting strategies.

## Project management strategy – A county team approach

The Project Management Institute, through its global standards, Project Management Body of Knowledge and its annual Pulse surveys, guides project development and implementation. These resources indicate successful management of projects is grounded in fundamental rules and principles<sup>31</sup>, including:

- a formal project management structure
- invested and engaged project sponsor(s)
- clear and objective goals and outcomes
- documented roles and responsibilities
- a communication plan

<sup>31</sup> Project Management Institute, PMI.org



County teams support the project within specific areas of county expertise.

#### Scope of work

When executed by the Clackamas County Board of County Commissioners, the project agreement provided defined the terms and scope of work for both the design-build construction and the 30-year facilities management phases of the project.

#### Sponsors

The project has benefited from the support of many individual Clackamas County Commissioners serving as the Clackamas County Board of County Commissioners over the years and Clackamas County Circuit Court Judge Kathi Steele, among other sponsors. Partners at the local, county and state level include several members of the Clackamas Caucus, the City of Oregon City, the Clackamas County Bar Association, the Oregon Judicial Department, the Oregon Department of Human Services and the Association of Oregon Counties. These entities have publicly shared their support for the project.

#### Structure

During the planning phase of the courthouse project, the county retained a dedicated project manager. Without other county operational responsibilities, 100% of the project manager's capacity, averaging approximately 20 hours per week, was spent managing the project's progress. The county transitioned to a shared project management team approach with an internal project team and an external advisory and technical resource.

The county operating officer is in the role of project manager and serves as the county's primary point of contact for the project. Subject matter experts representing legal, finance, facilities management, procurement, public and government affairs functions and the Sheriff's Office support the project within their specific areas of county expertise. All internal project team members split their time between project management tasks and their routine county operational tasks. WT Partnership provides technical advice and serves as the owner representative for the county.

#### **Communication plan**

An intentional project communication plan contributed to the project's on-time and on-budget performance. The project communication plan included shared project meeting minutes, monthly status reports and frequent public updates with the Clackamas County Board of County



All internal project team members split their time between project management tasks and county operational tasks. Commissioners. The primary drivers of the project communication plan were WT Partnership and the project design-builder, PCL Construction Services, Inc. Public project updates primarily focused on logistics, timeline and construction outcomes. The statuses of the estimated total project agreement value and the projected 30-year payment schedule were not included in the project updates. Financial overviews were provided to the board of county commissioners when change orders were presented for review and approval.

A key activity which supported the project's timeliness, budget compliance, quality and effectiveness was the engagement of an independent building expert. Monthly reports to both the county and Clackamas Progress Partners provided an independent assessment of the project's progress and ability to successfully meet deadlines and quality standards. The independent building expert provided another level of transparency and accountability throughout the design-build process.

#### Documented roles and responsibilities

WT Partnership's roles and responsibilities are clearly documented in its service contract with the county.

Internally, the distinct roles and responsibilities of each project management team member are less formally communicated through conversations and meetings. A general understanding of assigned roles and responsibilities relevant to the areas of expertise often guides "who does what." (e.g. The county operating officer defers to the finance director to provide support and clarification around the project agreement value, payment schedule and payment logistics. The county operating officer approves and tracks project agreement change orders. County counsel reviews change orders to form only. The board of county commissioners executes all change orders with an associated monetary impact.)

Team members were, at times, challenged by limited capacity as they balanced project management tasks and routine operational tasks. Resource demands led, at times, to a reactive project management approach rather than a proactive strategy. Staffing changes in key positions during the early stages of the project, including the project manager, the procurement manager and the legal counsel assigned to the project, impacted project continuity. In-depth



Active administration is needed throughout the life of a successful contract. knowledge of the project details was challenged by the breadth of the 1,902-page executed project agreement document.

These challenges did not prevent the overall completion of the design-build project. The county's project manager, the county operating officer, engaged with and coordinated the activities of both internal and external project team members. The project management approach, including consistent participation in joint weekly meetings with internal and external project teams, has sufficiently positioned the construction project to be completed on time, on budget and as designed.

## Contract administration – Establishing sustainable practices

The contract administrator's primary role is to monitor performance throughout the life of the contract. Contract monitoring is the process of identifying and tracking key aspects of the contract, and their impact on scope, schedule and budget to ensure active administration of the contract to successful completion.

Effective contract monitoring includes the following tasks:

- · Gather the contract and all pertinent contract documents
- · Decide what to monitor, how it will be monitored and who will monitor
- Act in cases of non-compliance<sup>32</sup>

#### **Record retention**

During the design-build phase of the project, the record retention capability and capacity of both the design-builder and the owner's representative have been relied on by the county. The county project manager maintains documents received from WT Partnerships and has requested documents from the owner's representative as needed. As of April 2025, the project agreement amendments and associated change orders had not been filed with the county procurement

<sup>32</sup> State of Oregon Department of Administrative Services, Oregon Procurement Manual

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Contract administration and adequate monitoring reduce risk. team. The documents were not centrally accessible or stored in the contract retention system administered by the procurement team. It is anticipated WT Partnership will provide the county with all relevant records in a consolidated format upon completion of its service contract. Without adequate records retention, the risk of undetected non-compliance or inadequate responses is increased. Effective contract administration is hindered without adequate identification, retention and application of comprehensive contract documentation.

#### **Identifying strategies**

To facilitate gathering and documenting key contract administration strategies and controls, the county procurement team has designed the request for a contract or contract amendment form. This procurement and contract administration tool documents critical contract dates and contract administration roles. It is maintained, with the associated contract, in the procurement contract file.

Due to the unique structure of this project agreement and the adopted procurement process, the standard procurement tools were not applied to the courthouse project agreement through routine contract administration. A contract administrator and contract facilitator were not formally documented through standard procedures within the contract file. Without adequate monitoring strategies, the risk of undetected non-compliance or inadequate responses is increased.

As the construction project nears completion, oversight activities are transitioning from a project management priority to a contract administration priority. Strategic plans are being developed to meet the county's contract administration standard practices.

#### Contract Administration Plan<sup>33</sup>

Given the Clackamas County Circuit Courthouse Project Agreement complexity and 30-year term, the county should consider developing a contract administration plan. This is a robust contract administration tool to reconcile the various contract documents and areas of focus. It can be used as a primary resource for day-to-day contract management.

<sup>33</sup> State of Oregon Department of Administrative Services, Contract Administration Plan template



Clarify and document contract administration roles and responsibilities to strengthen the quality, sustainability and consistency of contract administration efforts. Areas for consideration in a courthouse contract administration plan include:

- · Monitoring of monthly service adjustments and building/equipment replacement activity
- Monthly service fee invoice review and approval including the impact of index-linked adjustments
- · Annual reconciliation of monthly service fees and true-up
- · Execution and monitoring of any project agreement change orders
- Execution of Joint Technical Performance Reviews (every five years for first 15 and then every three years after for life of project) and other project agreement requirements

These efforts to clarify and document the contract administration roles and responsibilities for the Clackamas County Circuit Courthouse Project Agreement will strengthen the quality, sustainability and consistency of contract administration efforts over the 30-year life of contract.

## **IV. Recommendations**



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Forecast the annual courthouse payments using the same Consumer Price Index growth rate assumptions generally applied in the 30-year General Fund forecast.

- A. Unless otherwise defined, consistently apply the county's stated Consumer Price Index growth rate assumptions to courthouse payments reported on the county's 30-year General Fund forecast.
- B. If a Consumer Price Index growth rate different than the general "CPI Growth" assumption listed on the report is used when forecasting the courthouse payments, identify the specific assumption alongside other forecasting assumptions.
- C. Provide the reason and support for variations in the assumptions.

- A. Agree; Responsibility Finance Director
- B. Agree; Responsibility Finance Director
- C. Agree; Responsibility Finance Director



Provide annual courthouse project agreement status reports to the Clackamas County Board of County Commissioners addressing.

- A. Report the total contract value to date.
- B. Identify the variances in the 30-year forecast to actual expenses, including the impacts of:
  - · New change orders or amendments
  - · Monthly service fee adjustments
  - Inflation
- C. Provide the results of most recent Joint Technical Performance Reviews

- A. Agree; Responsibility Finance Director
- B. Agree; Responsibility Finance Director
- C. Agree; Responsibility Finance Director and Facilities Management Director, with assistance from COO as needed



Retain all Clackamas County Circuit Courthouse Project Agreement contract documents, including the final supporting financial model, amendments and change orders, in the contract file within the county's procurement retention system.

- A. Ensure all project agreement, amendments, and change order documents follow procurement retention policies and practices. Documents should be stored in the record system and access should be secured.
- B. Ensure a unique contract identification number is assigned to the project agreement and all associated amendments and change orders.
- C. Ensure all required contract administration data is recorded on a PACS Request or similar procurement form and maintained within the procurement contract file.
- D. Facilitate establishing an associated purchase order number to ensure timely and accurate recording and payment

- A. Agree; Responsibility Finance and COO; Note: Project agreement, amendments and change order documents are retained currently in Finance and County Administration. It is agreed that all should be in one place, which will be transferred from WT Partnership in September 2025. This guarantees that all documents retained are in order and easily accessed. The final files will be distributed to Finance and the COO.
- B. Agree; Responsibility Finance Director. All documents have identifying numbers currently.
- C. Agree; Responsibility Finance Director; this date is to be determined after Commissioning and discussion with the Finance Director.
- D. Agree; Responsibility Finance Director



Take actions to strengthen the sustainability, quality and consistency of contract administration activities supporting the Clackamas County Circuit Courthouse Project Agreement for the 30-year life of the contract.

- A. Identify and document contract administration roles and responsibilities by county position title.
- B. If contract administration responsibilities are to be shared by, or divided among multiple positions, identify and document these strategies.
- C. Ensure the contract administrator is comprehensively knowledgeable of the contract scope and terms.
- D. Standardize and document review and approval processes for key activities.
  - · Monitoring of monthly service adjustments
  - · Monitoring of monthly replacement and renewal activity.
  - Recalculation of monthly service fee invoices including the impact of index-linked adjustments
  - · Annual reconciliation of monthly service fees
  - · Execution and monitoring of project agreement amendments and change orders
- E. Ensure county-assumed facilities maintenance responsibilities are documented and monitored; specifically, those identified in project agreement change orders:
  - #14 (executed 3/5/2024)
  - #15 (executed 3/5/2024)
  - #17 (executed 4/21/2024)
  - #25 (executed 3/10/2025)
- F. Ensure joint technical performance reviews are scheduled and conducted in compliance with the project agreement.
- G. Consider developing a contract administration plan as a primary resource for day-to-day contract management.

H. Analyze current staffing capacity and consider adding contract administration resources if current staffing levels are insufficient.

- A. Agree; Responsibility County Administrator; Completed by August 2025
- B. Agree; Responsibility those identified in (A); Completed by September 2025
- C. Agree; Responsibility COO and Finance Director; Completed August 2025 December 2025 with consideration of assistance from consultant.
- D. Agree; Responsibility Those identified in (A); Completed August 2025 December 2025 with consideration of assistance from consultant.
- E. Agree; Responsibility Facilities Management Director; Ongoing
- F. Agree; Responsibility Facilities Management Director with assistance as needed from COO; Ongoing
- G. Agree; Responsibility Finance Director and Facilities Management Director; this is underway currently by working with Fengate. This is ongoing and may need assistance from a consultant to ensure a viable system and understanding of contract requirements.
- H. Agree; Responsibility COO and Facilities Management Director; this is currently being considered, and discussions are underway for the possibility of a contract in the short term to assist with all items mentioned above. It is recognized this is new for staff and it is critical to start out efficiently and effectively as we monitor the 30-year contract.



Identify and document lessons learned to inform future capital construction projects.

- A. Consider the use of a dedicated county project manager able to apply 100% resource time to the project, as needed based on project complexity.
- B. Identify methods to ensure standard contract administration practices and controls are incorporated into the project.
- C. Establish a county project charter and project guidelines which define for the internal county project team:
  - project objectives and constraints, partners and interested parties, and success metrics
  - specific roles, responsibilities and authority for project management, contract administration, and subject matter expertise engagement
  - process and procedures for documenting change order reviews and approvals, including zero sum change orders and subject matter expertise
  - reporting standards for project status updates which include both structural and physical milestones (e.g. framing, exterior and interior finishes) and contract financial data elements (e.g. quantity and impact of approved change orders, current contract value, additional contracts entered for project execution)

- A. Disagree; Responsibility County Administrator. Each project is unique and it is not determined if all capital projects will need a full-time project manager. This should be a project-by-project decision.
- B. Agreed. This was critical to this project, it is Management's opinion this was successful for this project. Recognizing that we can learn how to do this better next time.
- C. Agreed; Responsibility Project Manager. This should be done within one to two months of beginning a large capital project and should be updated throughout the project as roles change and added.

# Objectives, Scope and Methodology



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The Office of County Internal Audit allocated resources in the fiscal years 2024 and 2025 Clackamas County Office of Internal Audit audit plans to conduct an audit of the Clackamas County Circuit Courthouse project. The engagement addressed potential risks Clackamas County faces because of the strategic decisions to build and operate a replacement county circuit courthouse using a public-private partnership model.

County internal audit engagements are selected and designed to address high risk potential, while maximizing county internal audit resources and impact. Selection as a topic for an internal audit engagement does not mean the department is being managed ineffectively or policies and procedures are inadequate. It merely indicates that the services or functions the department is responsible for are, by nature, high priority activities with high-risk potential because of factors such as a large amount, or high degree, of:

- · reported expenditures or revenues.
- · available liquid or sensitive assets, such as cash, technology or protected data.
- · potential risks identified by management.
- public interest.

General objectives for the Clackamas County Circuit Courthouse project assurance engagement were to independently:

- assess the county's construction project management and its impact on the county's ability to achieve its capital construction goals.
- evaluate the contract amendment processes responsible for change order management and the impact on the total capital construction contract value.
- assess the county's contract administration approach as it relates to the facilities management period of ongoing building operations after occupancy.
- provide real-time, immediate feedback if errors or deficiencies were noted during project assessment.



Strategic objectives for all Office of County Internal Audit engagements are to:

- · identify opportunities for growth and enhanced effectiveness and efficacy.
- advocate for a culture of continuous improvement through observations and recommendations.
- · create transparency and demonstrate accountability for the county.

The assessment evaluated the county's project management structure and activity as of construction groundbreaking and through the project transition to facility management on occupancy readiness date. The engagement scope addressed project management activities directly related to contract administration of the project agreement between Clackamas County and Clackamas Progress Partners. This included contract amendments and change order activity.

Project planning and procurement activities prior to executing the project agreement were not addressed during this engagement. Additional public improvement contracts associated with the courthouse project, but not directly incorporated into the project agreement, were outside of the scope of this review.

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

- reviewed and researched industry standards for construction project management, including the Project Management Institute (PMI) and the Construction Management Association of America (CMAA).
- reviewed and researched public-private partnership (P3) model, including resources provided by the Government Accountability Office, the Government Fiscal Officers Association, the Council of Development Finance agencies, and the Association of General Contractors.
- reviewed the development history of the county's replacement courthouse project.



- reviewed the project agreement, signed August 30, 2022, and associated documents.
- reviewed the project management structure and governance documents.
- reviewed monthly status reports prepared by the owner's representative and the independent building expert.
- attended project team meetings and reviewed project team meeting minutes.
- · conducted interviews and tours of construction site.
- reviewed board-approved change orders and supporting documentation.

# About the Office of County Internal Audit





The Office of County Internal Audit provides assurance, advisory, and investigative services to the public, employees, volunteers, and departments of Clackamas County so they can feel confident that the public's interests are protected and can engage with an accountable, high performing, and transparent local government. The office helps Clackamas County accomplish its mission by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes.

The Office of County Internal Audit governs itself by adherence to The Institute of Internal Auditors' Global Internal Audit Standards<sup>34</sup>. Audit functions are independently evaluated to assess conformance with professional standards. The office received the highest rating of "Generally Conforms" in its most recent peer review.

The county internal auditor reports functionally to the Clackamas County Internal Audit Oversight Committee and administratively through the publicly elected county treasurer's office. This structure and authority allow the Office of County Internal Audit to provide independent, objective, and risk-based assurance, advice, and insight. The office is designed to add value, support county operations and enhance the county's ability to serve.

#### Our team

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

#### Contact us

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34 The Institute of Internal Auditors Global Internal Audit Standards



#### Index-Linked

As defined by the project agreement, index-linked means, with respect to an amount at any time, that the amount is adjusted as of July 1 commencing July 1, 2023, by:

- 1. Multiplying it by the Inflation Index for the immediately preceding April (CPIn); and
- 2. Dividing it by 179.339, the Inflation Index for April 2022 (CPIbase).

#### Inflation Index (CPIn)

As defined by the project agreement, the inflation index is the All Items Consumer Price Index for All Urban Consumers (CPI-U) in the West region, Size Class B/C (Series CUURN400SA0), not seasonally adjusted, as published by the Bureau of Labor Statistics using a reference month of December 1996 that equals 100.0 (available as of August 30, 2022, at <a href="https://data.bls.gov/timeseries/CUURN400SA0?amp%253bdata\_tool=XGtable&output\_view=data&include\_graphs=true">https://data.bls.gov/timeseries/CUURN400SA0?amp%253bdata\_tool=XGtable&output\_view=data&include\_graphs=true</a>).

Original Data	Value															
Series Id:	CUURNAC	0540														
Not Seasonally A	djusted															
Series Title:	Al dems	n West - S	ize Class E	VC, all urba	m											
Area:	West - Si	ze Cass B	10													
Item	Al items															
Base Period:	DECEMBE	R 1996-10	10													
Years:	1996 to 2	025														
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	HALFI	HALF2	Trend
1996												100.0				
1997	100.4	100.8	101.2	101.4	101.5	101.3	101.3	101.5	101.8	102.1	102.4	102.0	101.5	101.1	101.9	
1998	102.3	102.3	102.3	102.2	102.4	102.3	102.3	102.5	102.7	103.0	103.5	103.4	102.5	102.3	102.9	1.0108
1999	103.6	103.8	104.1	105.1	104.8	104.5	104.9	105.2	105.2	105.5	105.5	105.7	104.0	104.3	105.3	1.0214
2000	105.7	108.2	107.1	107.2	107.3	107.7	108.1	105.3	108.8	109.0	109.2	108.9	107.8	108.9	108.7	1.0200
2001	109.8	110.1	110.7	110.6	111.1	111.2	111.4	111.2	151.7	112.1	112.0	111.6	111.1	110.6	111.7	1,0306
2002	111.9	112.4	112,8	113.7	112.5	112.2	112.5	113.0	103.1	113,3	113.1	113,1	112.8	112.6	113.0	1.015
2003	113.8	114.5	115.4	114.9	114.7	114.4	115.1	t15.5	115.6	115.5	114.9	115.2	1150	114.5	115.3	1.019
2004	116.0	217.0	117.9	117.8	118.2	117.9	117.9	118.1	158.4	119.2	119.3	119.0	118.1	117.5	116.7	1.0269
2005	119.5	119.8	120.4	121.4	121.3	121.1	121.3	122.0	123.1	123.6	122.8	121.8	121.5	120.6	122.4	
2006	122.9	123.7	124.2	124.9	125.7	125.6	125.6	126.2	125.9	125.5	125.1	125.0	125.0	124.5	125.6	1.0208
2007	126.244	126.005	127.648	128.843	129 129	129.262	129.067	128.939	129.054	129.006	130.581	130.481	128.544	128.022	129.666	1.0307
2008	131.328	131.538	132.896	133.694	134.023	135.283	136.021	135.207	154.834	133.785	131.440	129.725	133.315	133.127	133 504	1.034
2009	130 682	131.636	131.775	131.912	131.990	132.952	132.774	132.758	133.128	133.618	133.335	133.132	132.474	131.825	133.124	0.9936
2010	133.386	133.513	133.883	134 133	133.889	133,635	133.885	133,704	133.544	133.745	133.930	134.328	133.778	133 733	133 823	1.0098
2011	134.917	135.826	137.200	138.174	138.598	138.265	138.128	138.171	138.564	138.696	138.411	138.017	137.748	137.164	138.331	1.0296
2012	138,465	138.997	140,235	140.619	140.834	140.375	139.645	139.971	140.600	140.847	140.287	139.768	140.054	139.921	140.156	1.0167
2013	139,865	141.072	141.873	141.768	141.835	141.805	141.940	142.228	142.277	141.954	141.736	141.751	141,682	141.324	141.981	1.0114
2014	141.998	142,120	142.813	143.077	144.253	144.522	144.435	144,317	144.506	144,214	143.398	142,669	143.527	143.130	143.923	1.0131
2015	142.822	143.005	143.887	144.426	145.348	145.198	144.917	144.752	144.507	144.379	143.595	143.398	144.119	143.961	144.258	1.0041
2016	143.932	144,128	144.264	145.128	145.942	145.866	145.850	145.829	146.130	146.328	146.004	145.918	145.443	144.877	146.010	1.0091
2017	146,469	147.451	147.880	148.496	148.789	148.792	148,691	149.255	149.954	150.336	150.003	149.920	148.836	147.980	148.693	1.0233
2018	150.564	151.200	151.702	152.350	153.201	163.540	153.464	153.797	154.158	154.729	154.625	154.228	153.130	152.094	154.167	1.0280
2019	154.328	154.671	155.178	158.523	157.488	157.584	157.485	157.654	157.738	158.635	158,482	158.496	157.019	155.959	158.078	1.025
2020	158 599	159 183	159 129	158.824	158.301	158.857	159.752	160.528	160.846	161.141	161.069	160.840	159.758	158.816	160.696	1.0174
2021	161.199	162.042	163.257	165.088	166.813	168.425	169.267	169.477	169.977	171.228	172.214	172.722	167.642	\$64.471	170.814	1.0493
2022	174,289	175.890	178.019	179.339	189.810	182.790	183.277	183.543	164.068	185.410	184.626	183,688	181.312	178,520	184 105	
2023	184.717	185.958	187.301	188.008	188.833	189.295	189.737	190.368	191.238	191.321	150.409	190.095	188.941	187.354	190.528	1.0426
2024 2025	191.586	191.874	194 047	194.913 198.765	194 709	194.203	193.360	193.662	184.320	194.632	194:491	194.384	193,848	393,555	194 142	1,025/5

Figure 14 Source: U.S. Bureau of Labor Statistics Consumer Price Index Series CUURN400SA0 downloaded on May 15, 2025

#### Index-Linked inflation factors (CPIn / CPIbase) = (CPIn / 179.339)

As defined by the Project Agreement and calculated by the Office of County Internal Audit

Year	"A" CPI Factor	"B" April 2022 CPI Factor	"A / B" Index-linked Factor for price adjustment				
2023	188.008	179.339	1.048338				
2024	194.913	179.339	1.086841				
2025	198.765	179.339	1.108319				

Figure 15 Source: Prepared by the Office of County Internal Audit based on project agreement and CPI Series CUURN400SA0

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