

## Oregon Parks and Recreation Commission

September 23, 2015

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Agenda Item:	3a1	Information
Topic:	Annual Audit Committee Update	
Presented by:	Bevin Clapper, Quality Assurance Coordinator	

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Summary of Reviews, Audits and Reports for FY 2015 (full reports available upon request).

### **Payroll Audit Report – Requested by Director Sumption**

- Approved by the Audit Committee: 10/28/2014
- Summary: Oregon Parks and Recreation Department (OPRD) is generally in compliance with state and agency procedures for payroll, however, a significant percentage (24%) of sampled payroll transactions found evidence of errors that required correction. Payroll staff members devote a significant amount of time to correcting these errors. The audit team also found that 17% of the payroll records sampled had not been approved by management prior to the employee being paid. In addition, a review of compensatory time (comp time) balances from August 2013 through August 2014 showed roughly 2%-3% of employees were out of compliance with OPRD policies and union contracts for the period tested.

### **Invoicing Audit Report – Requested by Director Sumption**

- Approved by the Audit Committee: 10/28/2014
- Summary: Our review of Oregon Parks and Recreation Department's (OPRD) invoice payment process found that all invoice payments appear appropriate with nearly all having appropriate supporting documentation. Out of the 164 invoices tested, three (2%) contained documentation issues and four (2%) took longer than 45 days to issue payment. Overall, OPRD is adhering to Oregon State and department policies regarding timely invoice payment and supporting documentation.

### **Change of Director Audit (Tim Wood) – Best practice when a change of director occurs**

- Approved by the Audit Committee: 10/28/2014
- Summary: Oregon Park and Recreation Department (OPRD) conducted a Change of Director Audit because Director Wood retired in March of 2014. The scope of the audit reviewed the last six months of business initiated and approved by Director Wood. Transactions were reviewed against the OPRD policies and procedure as well as the Oregon Accounting Manual policies and procedures. No significant issues or deficiencies were found. The only concern noted is the audit team could not obtain a list of assets assigned to the former Director. OPRD does not have a clear process to track assigned assets and no documentation is completed when assets are assigned.
- Recommendation: OPRD should create an appropriate process to track assets assigned to employees.

## **Comprehensive Annual Financial Report by Secretary of State Audits Division**

- OPRD was provided a management letter (634-2015-01-01) from the Secretary of State Audits Division at the closing of the Audit on 1/22/2015). This letter reported that they did not find any material weaknesses or significant deficiency in OPRD's internal control over the financial statements.

## **Quality Assurance Review of OPRD's Internal Audit Function**

- Approved by the Audit Committee: 2/4/2015
- Summary: As requested by Bevin Clapper, Chief Audit Executive (CAE) of the Oregon Parks and Recreation Department (OPRD), an external quality assessment (QA) of the internal audit activity was performed. This external review was performed as part of the coordinated effort established in Oregon Administrative Rule 125-700-0015, which utilizes auditors from participating Oregon state agencies, boards and commissions. Antonia Allen, Chief Audit Executive of the Oregon Department of Forestry, was the Team Leader. Susan Erickson, Senior Internal Auditor at the Oregon Department of Corrections, was the Team Member. The principal objectives of the quality assessment were to:
  - Assess the internal audit activity's conformance to The Institute of Internal Auditors' (IIA's) International Standards for the Professional Practice of Internal Auditing (Standards),
  - Evaluate the internal audit activity's effectiveness in carrying out its mission (as set forth in its charter and expressed in the expectations of OPRD's management),
  - Identify opportunities to enhance its management and work processes, as well as its value to OPRD.

### **It is the overall opinion that OPRD's internal audit activity generally conforms with the Standards and Code of Ethics.**

- Recommendations and best practices (Management response in italics):
  - Encourage management to allow the Internal Auditor more opportunity for pro-active input at agency strategy-level discussions. *The Director is currently looking at ways this could be implemented.*
  - The current auditor's position description should be updated to include key internal audit criteria and competencies. *The criteria and competencies cannot be added to the current position because of the Department of Administration Service's (DAS's) statewide position classification system. OPRD is currently fulfilling the role of the internal auditor with the classification of an Operations and Policy Analyst instead of an Internal Auditor. This was purposefully done in order to allow for maximum flexibility in the position. However, with input from human resources some internal audit criteria and competencies could be added as "desired" attributes.*
  - Quality Assurance Improvement Plan (QAIP) – OPRD needs to develop a formalized and ongoing quality assurance improvement plan (QAIP). In addition, OPRD needs to develop a strategic plan and performance measures for the internal audit function. *The goal is to discuss all of these requirements at the next audit committee meeting and to work on implementation from that point forward.*
  - A more formalized follow-up process needs to be implemented. *The audit procedures manual states that the audit committee needs to approve recommendations prior to the follow-up process. This section needs to be updated to clearly define approval requirements as well as follow-up procedures. Providing follow-up information needs to be built into the annual audit report to the OPRD Commission and included in the internal audit charter and policy.*

- Consulting engagements need to have more developed and structured plans in order to clearly define expectations and involvement. *The Quality Assurance Coordinator will work on a template consulting engagement plan to ensure requirements are documented.*
- Staff development plans need to be formalized and documented for both the Internal Auditor as well as the interns. *Agreed.*
- Consider regular executive sessions of the audit committee as needed. *Agreed.*
- Consider options to increase IT audit coverage. *An IT risk assessment consultant will be brought in this spring to determine where OPRD's areas of risk are and then an IT audit plan will be developed.*
- Comments on best practices currently being utilized at OPRD:
  - o An audit professional is serving on the audit committee.
  - o MBA students are used to complete projects and meet standards.
  - o Management Unit Risk Assessments were conducted at each of the satellite locations.
  - o The internal auditors position at OPRD as the ethics officer.
  - o Quality assurance checklists are utilized to ensure audits are meeting standards.

### **Independent Auditor's Report on Agreed Upon Procedures for Reviewing Specified Asset Transfers to the State Fair Council**

- Approved by the Audit Committee: 6/30/2015
- Summary: OPRD requested Oregon Secretary of State Audits Division review our methodology for determining the value of State Fair fixed assets at January 1, 2015, and the subsequent transfer to the council; of State Fair cash balances at March 1, 2015, and the subsequent transfer to the council; and of accounts receivable assigned to the State Fair Council as of March 1, 2015, and the subsequent transfer to the council. The audits division found that the department's methodology and subsequent transfers were reasonable with a few exceptions that were corrected.

### **Concessions Audit Report**

- Approved by the Audit Committee: 6/30/2015
- Summary: The OPRD's Audit Committee chose concessions as 2015's risk-based audit topic to provide management information and identify program improvements before OPRD considers expanding its concessions program. Contracting with concessionaires could grow OPRD's business lines and increase revenue without adding direct service duties to already busy staff; however, it should be noted though that contract administration and development is still a time consuming responsibility.

OPRD's established concession program is organizationally challenging and has been identified in enterprise risk assessments for several years as an area of high risk. OPRD has struggled to maintain productive relationships with concessionaires and to respond to new opportunities. The concession program could improve from an updated policy that defines roles and responsibilities including responsibility for determining business strategies and procedures for developing and managing contracts. Specifically, procedures should be developed to track and enforce the timely completion of revenue reports, payments, and performance evaluations.

Furthermore, OPRD would benefit from an over-all concessions business strategy that matches existing staff capacity. Parks considering new concessions or parks with current concessions should develop business plans that align the concession with the park master plan (when available) including the park classification and level of service. These plans

should also outline expectations of revenues, investments, and performance measures and set the risk appetite especially when considering insurance requirements. Best practices should be considered when developing the business plans and subsequent contracts.

The Audit Committee has not been presented management response to these recommendations, but they were provided to the Quality Assurance Coordinator on 8/27/2015 and are available upon request.

### **2015 SPOTS Program Review**

- Approved by the Audit Committee: 6/30/2015
- Summary: Generally, this review of OPRD's administration and use of the Small Purchase Order Transaction System (SPOTS) found that most transactions continue to be appropriate, properly authorized, supported through sufficient documentation and reviewed in a timely manner. Though not statistically very significant, this year's report did show a slight increase in cases of noncompliance. OPRD can further strengthen administration of the SPOTS program by ensuring employees are aware of the updated OPRD SPOTS Policy and OPRD SPOTS Procedures.

### **2015 Enterprise Risk Assessment**

- Approved by the Audit Committee: 6/30/2015
- Summary: In surveying other auditors around the state, the most successful and impactful risk assessments were associated with agencies that have quarterly Enterprise Risk Management (ERM) meetings throughout the year. In February of 2015, the OPRD audit committee approved this model of enterprise risk assessment.

Baseline interviews were completed with 5 groups: the executive team, management from heritage programs, management from park services, management from the administrative programs, and a selection of management from operations (regional, district, and operations support managers). These interviews determined the risks effecting the achievement of the agency goals and objectives developed by the executive team last summer.

After all the sessions were conducted, the Quality Assurance Coordinator combined individual risks into risk statements and associated each one with a goal. Because of the quarterly meeting model, the risk statements will be refined several times and additional information about risk responses will be added throughout the next year.

The risk selected for audit in FY 2016 is "Supporting committees and governance bodies to maintain fidelity to their missions as established in ORSs and OARs and to have the highest standards of ethics and fiduciary responsibility." Another risk selected for a review is "OPRD's over and comp time practices."

### **FY2016 Audit Plan**

- Approved by the Audit Committee: 6/30/2015

<b>Internal Audit Plan FY 2016</b>			
<b>Project</b>	<b>Estimate of Hours</b>	<b>Timeframe</b>	<b>Additional Information</b>
<b>Assurance</b>			
Overtime and Comp Review	60	July to Aug*	
Risk Based Audit	200	Aug to Dec*	Audit of Commission and Committees
Risk Assessment	200	Ongoing	Quarterly Meetings Planned
Friends Groups Risk Assessments	200	Ongoing	
Follow-Up on Previous Audits	120	Jan to March	LWCF and Concessions
SPOTS Review	60	Feb to May*	
<b>Consulting</b>			
MU Risk Assessments	120	Ongoing	Updates and District Manager Support
Internal Control and Process Reviews	80	Ongoing	As needed
Policy and Training Consulting	100	Ongoing	Ethics Policy Update
<b>Audit Function Admin</b>			
Training	40	Ongoing	Ongoing
Audit Committee Prep	40	Quarterly	Ongoing
Audit Program Development	80	Ongoing	Response to QAR Issues
Quality Assurance Improvement Plan	40	Ongoing	
QAR Reciprocal Agreement	60	TBD	
IIA Support	100	Ongoing	OPRD's CAE is the Salem Chapter President for FY 2016
Organizational Understanding	60	Ongoing	
<b>Fraud, Waste, and Abuse</b>			
Special Investigations	200	As needed	

\*indicates MBA Interns will be assisting.

**Quality Assurance Strategic Plan**

- See attachment

**Prior Action by Commission:** The last audit committee update was September 17, 2014.

**Action Requested:** None

**Attachments:** Audit Committee Strategic Plan

**Prepared by:** Bevin Clapper, Quality Assurance Coordinator

## Oregon Parks and Recreation Commission

September 23, 2015

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Agenda Item:	3a2	<b>Action</b>
Topic:	Updating the Audit Committee Charter	
Presented by:	Bevin Clapper, Quality Assurance Coordinator	

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The Audit Committee regularly reviews its charter and recommends changes when appropriate.

At its June 30<sup>th</sup>, 2015 meeting, the Audit Committee voted to recommend the Commission approve the following changes:

- Remove the requirement that the Vice Chair of the Commission serves as the Chair of the Audit Committee and allows for any Commissioner to be appointed to the Audit Committee by the Commission.
- Lowers the required number of meetings from four a year to three a year while preserving the ability for the Committee to have additional meetings as needed.

**Prior Action by Commission:** The Audit Committee charter was last updated April of 2014. These changes expanded the Audit Committee membership.

**Action Requested:** Approve Audit Committee Charter

**Attachments:** Current Audit Committee Charter with changes highlighted.

**Prepared by:** Bevin Clapper, Quality Assurance Coordinator

**Oregon Parks and Recreation Commission**

**September 23, 2015**

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Agenda Item:	3a3	<b>Action</b>
Topic:	Appointing an audit committee member	
Presented by:	Bevin Clapper, Quality Assurance Coordinator	

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According to the new audit committee charter, “The Audit Committee will consist of six members: the Director, two Commission members, a current or past audit professional, and two commission or committee members from the commissions or committees under OPRD’s umbrella (example include the Oregon Heritage Commission and the Local Government Grant Advisory Committee).”

Chair Mukumoto was appointed to the audit committee in January of 2013 and his position is up for appointment. The other commission position is currently held by Commissioner Robin Risley and her position will be up for appointment in April of 2016.

**Prior Action by Commission:** Commissioner Robin Risley was appointed to the Audit Committee in April of 2014.

**Action Requested:** Appoint a Commissioner to the Audit Committee.

**Attachments:** Audit committee member position description

**Prepared by:** Bevin Clapper, Quality Assurance Coordinator