

## Oregon Parks and Recreation Commission

September 14, 2016

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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 2016 (full reports available upon request).

### **IT Risk Assessment – Completed by a contractor**

- Approved by the Audit Committee: 10/13/2015
- Summary: The goal of this engagement was to conduct a cursory review of the Oregon Parks and Recreation Department (OPRD) in relation to its IT practices, services and solutions in order to identify potential risk areas that warrant further review and assessment.

Compliance Environment: OPRD does not collect, process, and store a significant amount of Level 3: Restricted or Level 4: Critical information. The Agency does not have any specific requirements to meet COBIT, COSO, NIST or ISO compliance other than those outlined in the State Information Security Plan as defined by The Department of Administrative Services (DAS). The State Information Security Plan is based on the International Organization for Standardization (ISO) 27001, which covers the framework for establishing security management and 27002:2005 addressing technical standards for the State of Oregon regarding Information Security. OPRD also must meet PCI requirements for those IT systems that handle payment cards. PCI practices and safeguards are reported to be in place for those systems where card holder data is transacted. The cursory review of OPRD policies and practices indicates that there are general practices in place with a limited set of Information Security Policies. However, there does not appear to be a robust culture that fosters information technology controls (IT controls) or extended IT Policies and Procedures that ensure the foundation of the IT control structure and practices.

### **Land and Water Conservation Fund Grant Program Audit Follow-up**

- Approved by the Audit Committee: 10/13/2015
- Summary: In the original audit released June of 2014, the audit team found that the Oregon Parks and Recreation Department (OPRD) is generally administering the Land and Water Conservation Fund grant cycle in compliance with federal requirements. However, the audit team found areas that could improve through the implementation of several recommendations. Management at the time agreed with these recommendations.

With the new management of the program, this follow-up was an opportunity to document the current disposition of the recommendations and for new management to provide updated responses.

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

- Presented to the Audit Committee: 1/27/2016
- OPRD was provided a management letter (634-2016-01-01) from the Secretary of State Audits Division at the closing of the Audit on 1/19/2016). This letter reported a significant deficiency in OPRD's internal control over the financial statements in that OPRD's transaction entry and review procedures need improvement.

Specifically, the letter stated:

*The state's accounting policy provides specific instructions for the processing of cash transactions, transfers, vouchers, and other financial statement adjustments. The state's accounting policy also requires agency management to develop control activities to ensure that transactions entered in the state's accounting system are valid, properly authorized, complete, and accurately recorded.*

*During our review of cash and transfers we discovered transactions were entered using incorrect coding and effective dates. The department's practice is for upper-level accounting staff or management to review each transaction before it is recorded in the state's accounting system. Although these reviews were performed, the following errors were not detected:*

- *Transfers in and transfers out were both overstated by \$1,001,575;*
- *A transfer to another agency was incorrectly dated resulting in an understatement of both cash and transfers out of \$312,809; and*
- *Over 130 transactions recorded to correct project coding inappropriately adjusted the year-end balance of cash in the Environmental Management Fund and in another fund by \$347,957*

*We recommend management revisit state accounting policies related to recording transactions and ensure the transaction review process includes examination of proper coding and effective dates.*

## **Governing Bodies Audit**

- Approved by the Audit Committee: 6/15/2016
- Summary: The Oregon Parks and Recreation Department (OPRD) has 21 governing bodies that make decisions for or recommendations to OPRD as a public body. All but two of these governing bodies appeared to be actively doing work to fulfill their stated mission or purpose. OPRD should review its relationships with the Oregon Historic Trail Advisory Council (OHTAC) and the Historic Assessment Review Committee (HARC) to determine the best way to support these governing bodies to fulfilling the missions.

When the audit team reviewed compliance with public records law and volunteer policies, we determined most practices regarding public records law were being met in spirit, but there was confusion and uncertainty around agency-wide procedures. All governing bodies should be following public meeting law.

Therefore, the audit team recommended a consistent, documented approach including training in the following areas:

- public meeting procedures (possibly with checklists)
- minutes and the documentation of votes (possibly with templates)
- standards for publically available materials including media releases

- bylaws and charters
- parliamentary procedure including when to convene “as needed” governing bodies
- financial tracking including travel, stipend and reimbursement requests
- member solicitation, screening, onboarding, and administration (this could be right-sized by the type and work of the volunteers)
- internal practices for commissioning and decommissioning governing bodies created through OPRD’s authority

The audit team consistently heard from interviewees that there have been attempts to recruit diverse members for governing bodies. Though efforts have been made, there is more work to be done in this area and it is recommended that OPRD’s inclusion group consult on inclusive member recruitment practices.

The Audit Committee will review agency responses to these recommendations at its next meeting.

### **Compensatory and FLSA Eligibility Audit Report**

- Approved by the Audit Committee: 6/15/2016
- Summary: The Oregon Parks and Recreation Department uses compensatory time (comp time) and overtime as tools to manage unexpected or unusual workloads. In 2015, OPRD processed 24 payroll cycles for approximately 637 employees for a total expenditure of US \$43,885,754.10 and comp and overtime were identified as high risk areas in the 2015 risk assessment. The audit team looked at two aspects of comp time and overtime; whether comp time was used within a year of accrual and whether employees were properly categorized as overtime eligible or non-eligible according to the Fair Labor and Standards Act (FLSA).

The audit team compared comp time balances on January of 2014 to comp time balances at the end of December 2014. We found 201 employees that had a comp time balance in January and of those 75, or 19%, did not clear that balance by December. This resulted in 1,437 comp time hours that should have been used by OPRD employees but were not. In addition, the audit team identified 9% of the total number of OPRD employees in the analysis (390) carried a balance over 40 hours and of those 2% employees carried a balance of 120 hours or more for at least three months in 2014.

Besides managers not monitoring and requiring employees to use their comp time balances, the audit team identified a system issue that contributed to employees not using their comp time. The payroll system does not report the age of comp time so can be difficult for a manager to identify comp time hours that are approaching a year since accrual. Based on these findings, the audit team recommends managers implement a review (possibly quarterly) of employee usage of comp time. Also, we recommend that OPRD explore options for requiring employees to clear comp time balances on a schedule during the year.

To determine whether employees were properly categorized as overtime eligible or non-eligible, the audit team referred to the Fair Labor and Standards Act (FLSA) and the Oregon Bureau of Labor and Industry (BOLI). Of particular use was the BOLI website on classifying exempt employees.<sup>1</sup> If an employee is classified as exempt from the FLSA, then they are not eligible to earn overtime. If they are non-exempt, they are eligible for overtime. BOLI identified two tests to determine FLSA classification: a salary test and a job duties test. The audit team applied the salary test, but only applied a modified version of the job duties test. Instead of a full job duties review that the audit team was not qualified to conduct, the

team compared job titles and classifications for consistency. The audit team found 5% of OPRD employees could potentially be erroneously categorized. Though this is relatively low percentage, because the designation can affect an employee's pay, there should be no tolerance for error.

As a state agency the Department of Administrative Services (DAS) provides guidance and some oversight on employee classification. The audit team recommends OPRD work with DAS to identify solutions that ensure OPRD is accurately and consistently applying the FLSA.

The Audit Committee will review agency responses to these recommendations at its next meeting.

### **Payroll Audit: Time Approval Follow-up**

- Approved by the Audit Committee: 6/15/2016
- Summary: OPRD and the Department of Administrative Services (DAS) changed the payroll system interface to a web-based version in March of 2015. The audit team found that an average of 25% employees did not have their time approve from June to September of 2014. This follow-up found that from June to September of 2015, an average of 9% employees did not have their time approved. When drilling down on the 9% of employees that did not have their time approved, the majority of these employees either had issues with their time entry that need to be fixed so the non-approval of their time was appropriate or were system errors (reassigned or on temporarily leave).

This follow-up audit found that OPRD showed significant improvement in managerial approval of employees' time. The current system especially the monthly reviews of approval reports and email reminders to approve time have mitigated the risk and payroll internal controls are properly designed and functioning as expected. OPRD should continue to monitor the approval of employee time.

### **2016 Enterprise Risk Assessment**

- Approved by the Audit Committee: 6/15/2016
- Summary: The risk assessment was reviewed at the June 2016 meeting and a follow-up audit of prior audits was chosen as the FY2017 risk-based audit. The quality assurance coordinator is currently developing an audit plan for presentation at the October audit committee meeting. The following audits will be reviewed and appropriate follow-up procedure will be developed:
  - Concessions 2015
  - Invoices 2014
  - Payroll 2014
  - LWCF 2014
  - Construction Contracting and Project Mgmt. 2013
  - Financial Transaction Follow-up 2010
  - Policy Management 2009
  - Travel Compliance 2009

There will be a special focus on the following areas:

- Pilot Concessions
- Non-LWCF grant programs
- Historic Property Construction

## FY2017 Audit Plan

- Approved by the Audit Committee: 6/15/2016

Internal Audit Plan FY 2016			
Project	Estimate of Hours	Timeframe	Additional Information
<b>Assurance</b>			
Risk Based Audit: Follow-up Audit	400	Aug to June*	Follow-up Audit suggested per the RA
SPOTS Review	200	Aug to May*	
Risk Assessment	200	Ongoing	Quarterly Meetings (in coordination with Leadership Team meetings.
Friends Groups Risk Assessments	150	Ongoing	
<b>Total</b>	<b>950</b>		
<b>Consulting</b>			
Internal Controls Review	250	Fall 2016*	
Operations Support	80	Ongoing	MU RA and Survey Data
Policy and Training Consulting	100	Ongoing	Ethics Policy and COI
<b>Total</b>	<b>430</b>		
<b>Audit Function Admin</b>			
Training	40	Ongoing	Ongoing
Audit Committee Prep	40	Quarterly	Ongoing
Audit Program Development and QAIP	40	Ongoing	Response to QAR Issues
IIA Support	100	Ongoing	OPRD's CAE is the Salem Chapter of the IIA's Chapter Vice-President FY 2017
Organizational Understanding	40	Ongoing	Ongoing
<b>Total</b>	<b>260</b>		
<b>Fraud, Waste, and Abuse</b>			
Special Investigations	120	As needed	
<b>Total</b>	<b>1760</b>	*indicates MBA Interns will be assisting.	

**Prior Action by Commission:** The last audit committee update was September 23, 2015.

**Action Requested:** None

**Attachments:** Audit Committee Strategic Plan

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



# OPRD Quality Assurance Program

2015- 2017 Strategic Plan

OUR STRATEGIC ANCHORS	2015 - 2017 STRATEGIC AREAS OF FOCUS		
<p><b>OUR VISION:</b> The Quality Assurance program provides relevant, timely analysis and information so OPRD can continuously improve its services and build public trust.</p> <p><b>OUR MISSION:</b> To provide value-added services that promote transparency, accountability, and efficiency in governance and operations while meeting audit standards.</p>	<p><b>Improve QA service &amp; performance</b></p>	<p><b>Meet audit standards</b></p>	<p><b>Uphold the public trust</b></p>
<p><b>OPRD VALUES</b></p>	<p><b>KEY OBJECTIVES</b></p>		
<p>Accountability Commitment Empathy Empowerment Fun Integrity Respect Well-being</p>	<p><b>I. Work to improve QA service and performance.</b></p> <ul style="list-style-type: none"> <li>Implement post-audit surveys to inform audit program improvements.</li> </ul> <p><b>II. Develop a Enterprise Risk Assessment methodology that produces actionable information for OPRD management</b></p> <ul style="list-style-type: none"> <li>Identify a high impact audit topics related to key issues facing OPRD where there is a high risk for objectives not being achieved or a high risk for inefficiencies.</li> <li>Pilot quarterly meetings with management to provide ongoing risk assessment information to management.</li> </ul>	<p><b>I. Implement QAR suggested program improvements.</b></p> <ul style="list-style-type: none"> <li>Encourage management to allow the Internal Auditor more opportunity for pro-active input at agency strategy-level discussions.</li> <li>Update Quality Assurance Coordinator position description as much as possible to include key internal audit criteria and competencies.</li> <li>Develop a formalized and ongoing quality assurance improvement plan (QAIP).</li> <li>In addition, OPRD needs to develop a strategic plan and performance measures for the internal audit function.</li> <li>Implement a more formalized follow-up process.</li> <li>Develop a structure for more formalized consulting engagements</li> <li>Document staff development requirements in the Audit Procedures Manual</li> <li>Schedule periodic private executive sessions with the audit committee.</li> <li>Increase IA audit coverage.</li> <li>Develop CAE skills in IT auditing, data analysis, and fraud awareness.</li> </ul>	<p><b>I. Keep current and enforce OPRD's ethics policy.</b></p> <ul style="list-style-type: none"> <li>Ensure annual training to staff on ethics.</li> <li>Liaison with the Oregon Ethics Commission to provide timely and accurate information.</li> <li>Develop a disclosure of relationship process.</li> </ul> <p><b>II. Deter and address fraud and theft of resources.</b></p> <ul style="list-style-type: none"> <li>Establish and monitor a fraud reporting mechanism.</li> <li>Regularly promote and market fraud reporting.</li> </ul>
<p><b>OPRD Mission:</b> To provide and protect outstanding natural, scenic, cultural, historic and recreational sites for the enjoyment and education of present and future generations.</p>	<p><b>Performance Measure</b></p>	<p><b>Performance Measure</b></p>	<p><b>Performance Measure</b></p>
	<ul style="list-style-type: none"> <li>Completion of post-audit surveys for all audit engagements.</li> <li>Complete quarterly risk assessment meetings.</li> </ul>	<ul style="list-style-type: none"> <li>Demonstrate implementation and timely review of a QAIP including reporting on the disposition of the above recommendations.</li> </ul>	<ul style="list-style-type: none"> <li>100% of OPRD staff have either online or in person ethics training by FY 2017</li> </ul>
	<p>June Update</p> <ul style="list-style-type: none"> <li>Audit survey to be sent, results at Oct AC meeting.</li> <li>Leadership Team will have ERM component.</li> </ul>	<p>June Update</p> <ul style="list-style-type: none"> <li>Second QAIP report prepared and provided to audit committee at June meeting.</li> </ul>	<p>June Update</p> <ul style="list-style-type: none"> <li>Policy and disclosure process developed.</li> <li>Attending district meetings and working to develop training plans.</li> </ul>

## Oregon Parks and Recreation Commission

September 14, 2016

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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 15, 2016 meeting, the Audit Committee voted to recommend the Commission approve the following changes:

- Empowers the director to appoint non-commission Audit Committee members.
- Simplifies some of the charter language to provide clearer direction and better reflect responsibilities.
- Removes the requirement that the Oregon Parks and Recreation Commission review Audit Committee charter changes.

**Prior Action by Commission:** The Audit Committee charter was last updated September of 2015.

**Action Requested:** Approve Audit Committee Charter

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

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



OREGON PARKS & RECREATION DEPARTMENT

### POLICY STATEMENT

	PAGE 1 of 3
	EFFECTIVE DATE XXXXXX Approved by OPRD Commission on XXXXXX
Approved	AUTHORITY
SUBJECT	Oregon Revised Statute 184.360, Oregon Administrative Rule 125-700-0035
Audit Committee Charter	DISTRIBUTION All Staff

**PURPOSE:**

~~To define the purpose, authority and responsibilities of the Oregon Department of Parks and Recreation (OPRD) Commission's Audit Committee.~~

COMMITTEE PURPOSE:

To assist the OPRD Director (Director) ~~and the Oregon Parks and Recreation Commission (Commission) and management~~ in meeting OPRD's objectives by promoting a systematic, disciplined approach to evaluate and improve the effectiveness of operations, risk management, control, and governance process. This work should add value and improve OPRD's operations through the oversight of:

- financial reporting,
- risk assessments,
- internal controls,
- compliance with laws, regulations, policies and procedures, and ethics requirements,
- economy and efficiency of OPRD's operations,
- and the performance of OPRD's quality assurance program which includes the internal audit function.

AUTHORITY

The Audit Committee may:

- Investigate any matters that fall within the committee's purpose.
- Direct and approve all auditing and non-audit services provided by the Quality Assurance function.
- Access any OPRD records, personnel, and physical property ~~under the purview of the Commission.~~
- Seek any information it requires from external parties.
- Retain ~~outside~~ legal (DOJ), accounting or other consultants necessary to assist the Committee in pursuing its purpose (subject to availability of OPRD funds to pay for these services).

COMPOSITION

The Audit Committee will consist of ~~six-six or seven~~ members: the Director, two ~~-or three Commission-members,~~ a current or past audit professional, and two ~~commission-or-committee~~ members from the ~~commissions-or-committees-undergoverning bodies under~~ OPRD's umbrella (examples include the Oregon Heritage Commission

and the Local Government Grant Advisory Committee). One of the OPRD Commission members will be voted into the role of the Audit Committee chair by the Audit Committee. The Director will be an ex officio position and participate in a non-voting role. ~~Non-c~~~~All-ommission~~ Audit Committee members ~~(excluding the Director)~~ will be appointed by the ~~Commission-Director~~ to serve 2--year terms subject to reappointment. Commission member will be chosen by a vote of the Commission. -The Quality Assurance Coordinator's role is to provide support to the Audit Committee.

## MEETINGS

The Audit Committee will meet at least three times a year; and may convene additional meetings as circumstances require. Regular meetings will be held in off-months from Commission meetings to the extent possible. The Quality Assurance Coordinator will provide and the Committee Chair will approve an agenda in advance of each meeting. The agenda and appropriate briefing materials will be provided to committee members prior to each meeting and minutes will be taken. The Quality Assurance Coordinator and the Audit Committee will work together to develop an annual calendar that is in line with the audit plan.

The Audit Committee will invite members of management, auditors or others to attend meetings and provide pertinent information; as necessary. Minutes will be prepared; and available to Committee members as well as the Quality Assurance Coordinator and, upon request, Secretary of State Audits Division.

The Audit Committee ~~may hold executive sessions and~~ may meet privately with stakeholders, management, staff or external auditors.

## RESPONSIBILITIES

1. Quality Assurance Program and Compliance with Internal Auditing Standards
  - Review and approve the audit committee charter, the internal audit charter, quality assurance policies, engagements, staffing levels, and the organizational structure of the internal audit function.
  - Ensure the work of the Quality Assurance program is consistent with the Definition of Internal Auditing, the Institute for Internal Auditing (IIA) Code of Ethics and the International Professional Practices Framework (IPPF or more commonly The Red Book). If non-conformities exist because of resource limitations, the Audit Committee will provide guidance to the Quality Assurance program regarding acceptable alternatives.
  - Ensure there are no unjustified restrictions or limitations on the work of the Quality Assurance program and that the Quality Assurance program meets IIA IPPF standards of independence.
  - Review the effectiveness of the Quality Assurance program which includes the internal audit function.
2. Financial Statements
  - ~~Review the Comprehensive Annual Financial Report, and consider whether they are complete, consistent with information known to committee members and reflect appropriate accounting principles.~~
  - Review ~~with management and Secretary of State Audits Division~~ the results of the annual financial audit.
  - Review all reportable matters such as material findings that are required to be communicated to the Audit Committee under Generally Accepted Auditing Standards and Government Auditing Standards with management and the Quality Assurance Coordinator.
3. Enterprise Risk Assessment
  - Assist in the direction and design of the annual Enterprise Risk Assessment.
  - Provide guidance to OPRD's management ~~the Quality Assurance Coordinator~~ on ~~OPRD's~~ risk

appetite.

- Approve the Enterprise Risk Assessment. Ensure that is consistent with information known to the committee members and methodologically appropriate and is reflective of OPRD's general risk levels or portfolio.
- Advise the ~~Commission-Director and OPRD management~~ of areas of inappropriate risk and work with ~~management and~~ the Quality Assurance Coordinator to ensure these risks are mitigated to acceptable levels.
- Provide guidance to management for the design and continuous improvement of OPRD's Enterprise Risk Management System.

#### 4. Internal Control

- Consider the effectiveness of OPRD's internal control system, including information technology security and control.
- Provide guidance to the Quality Assurance Coordinator on criteria and sufficiency of evidence for determining whether internal controls are appropriate and functioning as expected.

#### 5. Engagement Planning

- Review and approve the annual audit plan (including major non-audit quality assurance and consulting activities) and all major changes to the plan.

#### 6. Engagements

- Review significant reports or communications from the Secretary of State Audits Division, the Quality Assurance program or other reports that relate to the Committee's purpose.
- Review management's follow-up activities pertaining to reported audit and review findings and recommendations.
- Determine if management's follow-up activities are sufficient and address the matter or whether further assurance or information is needed.

#### 7. Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

#### 8. Reporting Responsibilities

- Regularly report to the Commission on Audit Committee activities, findings, ~~and~~ related recommendations and agency responses.
- Provide an open avenue of communication between the Quality Assurance program, external auditors, and the Commission.

#### 9. Other Responsibilities

- Perform other activities as requested by the Commission or the Director.
- ~~Regularly review and assess the performance of the Audit Committee and the adequacy of the committee and internal audit charter. The review should include changes that may be necessary due to changes in laws, rules, reporting requirements or audit standards. Proposed changes should be submitted to the Commission for approval.~~
- ~~\_\_\_\_\_~~
- Explore opportunities to partner with other state agencies to leverage audit resources and expand audit coverage.

## Oregon Parks and Recreation Commission

September 14, 2016

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Agenda Item: 3b

Information

Topic: Cape Kiwanda update

Presented by: Lisa Sumption

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Cape Kiwanda State Natural Area is a state park in southern Tillamook County. A county-operated parking lot sits between popular local businesses and rental accommodations. The beach is popular with surfers, beachcombers, tidepoolers, and the famous dory fleet—boats which launch and land directly from the beach. Cape Kiwanda State Natural Area itself is on the north end of the beach, and is easily reachable from every landward direction.

Crumbling sandstone cliffs and strong wave action have made Cape Kiwanda beautiful, famous, and dangerous. Even before it entered the state park system in the early 1970s, people died after getting too close to cliff edges and strong ocean currents. After state ownership began, the Parks Division of ODOT and later the Oregon Parks and Recreation Department erected fences and warning signs in different locations to make visitors aware of the danger. Years would go by without a serious incident, followed by spates of injuries and deaths. More recently, six people died in the span of two years, some of whom crossed fences and walked past warning signs.

Senator Arnie Roblan, District 5 (Coos Bay to Tillamook), convened a town hall in Pacific City, and OPRD Director Lisa Sumption assembled a group of agency staff, first responders, officials, residents, and business owners to review the situation and recommend changes.

The group met three times over the summer and a final report to the director is in draft at the time this brief is being written. Some changes were made before summer began, and others will take longer-term effort. The report will include recommendations about:

**Site management:** staffing, sign locations and content, fence location, local law enforcement. Staff were redirected to the park this summer, and signs and fences were tweaked before the busy season began.

**Messages:** staff talking points, sign content, materials for the local business community, proactive and reactive social media.

**Education:** beach and other outdoor safety messages in a formal classroom setting.

**Partnerships:** extending outreach in cooperation with government, nonprofit and commercial organizations that share contact with park visitors.

**Prior Action:** None

**Action requested:** None

**Attachments:** None

**Prepared by:** Chris Havel

## Oregon Parks and Recreation Commission

September 14, 2016

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Agenda Item: 3c

Information

Topic: Frenchglen corrals update

Presented by: Lisa Sumption

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Oregon Parks and Recreation Department staff have been reviewing an external proposal to swap land in the Steens region of Harney County. The request proposed to exchange a small patch of land on the north side of Frenchglen for 160 acre undeveloped property about 20 minutes away on in the Steens near Fish Lake. The corrals are currently home to a set of historic corrals used by local residents under an agreement with the department. The purpose of this update is to explain the staff position on the proposal.

**Prior Action:** None

**Action requested:** None

**Attachments:** None

**Prepared by:** Chris Havel