



JACKSON COUNTY

Oregon

Internal Audit Report

**Least Cost
Oregon Revised Statutes Compliance Audit**

FY 2011-12

September 11, 2012

**Presented To The
Jackson County Board of Commissioners
By The
Internal Audit Program**

Audit Team

**Debbie Taylor, County Auditor
Nicole Rollins, Senior Auditor**



**JACKSON
COUNTY**
Oregon

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To: Board of Commissioners
From: Debbie Taylor, County Auditor
Subject: Least Cost Compliance Audit
Date: September 11, 2012

The attached audit report provides information relating to the adequacy of internal controls and compliance with the Oregon Revised Statute (ORS) 279C.305 *Least-Cost Policy for Public Improvements* and ORS 368.051 *Accounting for County Road Work*, where applicable. The audit was included in the fiscal year 2012-13 Internal Audit Plan, and the audit work was performed in conjunction with the County's annual external financial audit.

The audit results were shared with the County's Audit Committee, and will be provided to the department directors or managers responsible for compliance with least cost requirements.

The Internal Audit Program appreciates the cooperation and assistance received from County staff throughout the audit process.

cc: Audit Committee
Moss Adams, LLP
Harvey Bragg, Sr Deputy County Administrator
John Vial, Roads & Parks Director
Shane Hagey, Community Justice Director
Rick Isner, Facilities Maintenance Superintendent

LEAST COST COMPLIANCE AUDIT

Audit Authority We conducted our audit in accordance with Codified Ordinance 218 pertaining to the County Auditor. Our audit was included in the Fiscal Year 2012-13 Internal Audit Plan as part of the work performed annually in support of the County's external audit.

Audit Background Oregon Revised Statute (ORS) 279C.305 *Least-Cost Policy for Public Improvements* requires each public agency to file, not less than 30 days prior to adoption of the County budget for the subsequent budget period, with the Commissioner of the Bureau of Labor and Industries (BOLI) a list of every public improvement that the agency plans to fund in the budget period, including a statement as to whether the improvement will be performed by a private contractor. If the agency plans to perform the improvement using the agency's own equipment and personnel on a project estimated to cost more than \$125,000, then the agency will also show that its decision is the least costly option. If the estimated cost exceeds \$125,000, the agency will prepare adequate plans and specifications and the estimated unit cost of each classification of work. The agency will keep and preserve a full, true and accurate account of the costs of performing the work, including all engineering and administrative expenses and the cost, including investment costs, of any equipment used. Furthermore, ORS 368.051 *Accounting for County Road Work* requires the county road official to maintain a complete and accurate cost account for road work performed by the county as required under Chapter 279C.

Three County departments were identified that might use County personnel and equipment on projects with estimated costs exceeding \$125,000. These departments are Roads and Parks, the Facility Maintenance Program of the County Administration Department, and the Community Justice Work Program.

The County's total estimated planned project costs for FY 2011-12 were \$30,477,397, which included no "agency"¹ projects.

Audit Objectives The objectives of our audit were to determine if:

- Internal controls were adequate to reasonably ensure compliance with ORS 279C.305 *Least-Cost Policy for Public Improvements*, and if applicable, ORS 368.051 *Accounting for County Road Work*; and
- The County complied with ORS 279C.305 *Least-Cost Policy for Public Improvements*, and if applicable, ORS 368.051 *Accounting for County Road Work*.

¹ Work to be performed by County using own equipment and personnel.

Audit Scope & Methodology Our audit tested compliance with ORS 279C.305 and ORS 368.051, when applicable, for fiscal year 2011-12 and for fiscal year 2012-13, as deemed appropriate.

Our audit procedures included:

- Reviewing current ORS 279C.305 *Least Cost Policy for Public Improvements* and ORS 368.051 *Accounting for County Road Work*;
- Reviewing a copy of the Planned Public Improvement Summaries submitted by the County to the Prevailing Wage Rate Unit of the Wage and Hour Division of the Bureau of Labor and Industries (BOLI);
- Reviewing County financial system project reports, and reading BoC meeting minutes and County budget documentation to identify departments that may have used force labor to perform public improvements in excess of \$125,000 and gain reasonable assurance that the fiscal year 2011-12 report as submitted to BOLI was complete and accurate;
- Discussing cost accounting procedures with department staff;
- Confirming with department staff that there were no “agency” projects in progress or completed during fiscal year 2011-12;
- Reviewing overhead rates for departments that might use County personnel and equipment on projects applicable to ORS 279C.305 and ORS 368.051, where applicable; and
- Other activities as considered appropriate.

Audit Criteria Criteria represent the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria for our audit consisted of ORS 279C.305 *Least-Cost Policy for Public Improvements*, and ORS 368.051 *Accounting for County Road Work*.

Internal Controls Internal controls relate to an organization’s system of controls that are designed to provide reasonable assurance of achieving effective and efficient operations, reliable financial and performance reporting, or compliance with applicable laws and regulations. Internal control comprises the plans, policies, methods, and procedures used to meet the organization’s mission, goals, and objectives. Internal control includes the processes and procedures for planning, organizing, directing, and controlling program operations, and management’s system for measuring, reporting, and monitoring program performance.

We gained an understanding of internal controls by discussing project costs and accounting procedures with appropriate personnel in the departments who might be affected by ORS 279C.305 and ORS 368.051.

Compliance with Government Auditing Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Confidential or Sensitive Information

We did not withhold information from this report for confidentiality or sensitivity reasons.

Audit Results Adequacy of Internal Controls

We found that internal controls over least cost requirements were adequate to reasonably ensure compliance with ORS 279C.305 *Least Cost Policy for Public Improvements* and ORS 368.051 *Accounting for County Road Work*, where applicable.

Report Submission Compliance

We found that the Facility Maintenance Program of the County Administration Department submitted the FY 2011-12 and FY 2012-13 Bureau of Labor and Industries (BOLI) Planned Public Improvement Summary reports for all County projects on a timely basis and in compliance with ORS 279C.305 *Least Cost Policy for Public Improvements* reporting requirements.

Projects – Full and Accurate Reporting Compliance

We found that there were no “agency”² projects that exceeded \$125,000 that were in progress or completed during fiscal year 2011-12 through the performance of the audit procedures discussed on page 2, which would require compliance with ORS 279C.305 *Least Cost Policy for Public Improvements* and ORS 368.051 *Accounting for County Road Work*, where applicable.

² Work to be performed by County using own equipment and personnel.