



# Oregon

## Public Defense Services Commission

Office of Public Defense Services  
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May 23, 2022

The Honorable Senator Elizabeth Steiner Hayward, Co-Chair  
The Honorable Representative Nancy Nathanson, Co-Chair  
Joint Committee on Legislative Audits  
900 Court Street NE  
H-178 State Capitol  
Salem, OR 97301-4048

Dear Co-Chairpersons:

### **Nature of the Request**

The Public Defense Services Commission requests acknowledgement of this letter describing the activities of the newly established Internal Audit Section within the Agency, the Office of Public Defense Services.

During the 2021 session, the Oregon Legislature passed HB 5030, which established the Public Defense Services Commission (PDSC) budget for the 2021-23 biennium. HB 5030 contained four budget notes with reporting requirements throughout the biennium. The purpose of this letter is to report on the audit functions and activity within the agency.

The HB 5030 budget note # 3 reads:

*The Public Defense Services Commission is directed to report to the Joint Committee on Legislative Audits during the Legislative Session in 2022 on the establishment of the Commission's internal audit function. The report is to include the internal audit staff reporting structure to the Commission as well as internal audit plans for the 2021-23 biennium and the 2023-25 biennium. The Commission may consider the establishment of an Audit Committee comprised of a subset of Commissions members with quarterly reporting to the full Commission.*

### **Agency Action**

The Commission hired an internal auditor in November 2021 via a contract with a recent state retiree after two previous recruitments had failed. The Commission will recruit for a second internal auditor after a baseline administrative structure for the internal audit function is established and fully operational. The agency reporting structure has been established and is modeled after standard reporting structures within other relevant state agencies. Since hiring the internal auditor last fall, development of the internal audit function is proceeding on schedule along three tracks.

The first track is developing a robust and sustainable internal audit administrative structure. The lead internal auditor, i.e. Chief Audit Executive (CAE), administratively reports directly to the Executive Director on the organization chart and works with the Deputy Director on day to day tasks. Over the next six months the CAE will install a set of policies and procedures appropriate for a small internal audit shop. By June 30, 2023 the CAE will implement: a Quality Assurance and Improvement Plan, including an annual self-assessment; an annual ethics, conflict of interest, and compliance with auditing Standards disclosure; and, performance metrics appropriate for a small audit shop.

The internal audit *function* reports to the Commission via the Commission's subcommittee, the Audit Committee. The Commission created an Audit Committee as a subcommittee of the Commission and approved the structure and Charter for the Committee. The majority of Audit Committee members consist of members external to the Commission, including the Audit Committee Chair. This ensures independence of decision-making and improves the diversity of conversation and establishing audit priorities. Agency leadership fosters the Chief Audit Executive's effectiveness by giving a seat at executive leadership meetings and promoting relationship-building with managers and staff.

The Committee is fully staffed with three representatives from the Agency, one from the Commission, three auditors external to the Agency, and two stakeholders from the public defense community. The Committee held its first meeting on April 4th, which focused on developing relationships between members, setting standing items for future meetings, and establishing logistics. The next meeting will be in early July.

Agency management has unreservedly supported the internal audit function. Agency management has begun discussing the timing and staffing plan for filling the two permanent internal audit positions. An adequate foundation of the function's administrative structure should be in place by early-summer, to support an efficient and effective multi-person unit.

The second track is performing internal audits. The risk assessment facilitated by external consultants formed the basis for the initial internal audit plan. Two audits based on the risk assessment were immediately underway (a third audit would later emerge as a result of daily activities and media reports):

- Audit of expenses incurred by recent ex-directors; and,
- Audit of Client Support Services (CSS) expenses (previously known as non-routine expenses (NRE)).

Final reports of the results of these audits are scheduled for release prior to June 30, 2022. The Internal Auditor is also performing a special consulting project on budget forecasting for CSS expenses, for efficiency this is concurrent with the CSS expense audit. A full risk assessment that complies with common State agency practice will be completed by June 30, 2023 and will drive a three-year audit plan, also to be completed on that date.

A routine audit of the expenses incurred by the two most-recent directors is completed with the audit report being drafted. The audit found that expenses were small, related to travel on Agency business, proper, and adequately supported. However, minor non-compliance with Agency travel policy was identified. Audit recommendations will include updating policy and forms to align with those currently established by DAS or the Oregon Judicial Department.

The second audit, this one of internal control adequacy and compliance pertaining to Case Support Services expenses, was put in abeyance pending completion of the above audit and is expected to recommence within weeks. A third audit, Commission and Agency procurement for personal services contracts, arose out of media questions and reports. This ad hoc audit found deficits in internal controls and opportunities to leverage existing policies used by other agencies and branches of government. Overall, these results reflect the immature capability of certain Commission and Agency operations.

The third track of internal audit activity pertains to participation on special ad hoc projects. This, a standard component of internal audit responsibilities, leverages internal audit expertise in support of projects owned by other areas of the organization. The internal auditor has coordinated completion of the Risk-Control Framework that Agency Management was presented with by the Coraggio Group consultancy. The internal auditor has supported the project to develop Key Performance Measures and has provided training to the Executive Team on internal controls.

The Agency often consults with the State Chief Audit Executive at DAS prior to significant activities. DAS has graciously assisted in the implementation of the internal audit function and Section in the Agency.

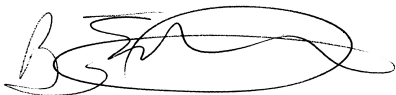
### **Action Requested**

The Public Defense Services Commission requests acknowledgement of receipt of this report.

### **Legislation Affected:**

N/A

Sincerely,



Brian DeForest, Deputy Director  
Office of Public Defense Services

cc: Amanda Beitel, Legislative Fiscal Office  
Paul Seibert, Legislative Fiscal Office  
John Borden, Legislative Fiscal Office  
George Naughton, Department of Administrative Services  
Wendy Gibson, Department of Administrative Services