



OFFICE OF
INTERNAL AUDIT

Memo

To: Board of County Commissioners

From: Elizabeth Pape, Deschutes County Internal Auditor

Date: November 26, 2025

Re: Role, Purpose, and Oversight of the Deschutes County Office of Internal Audit

The Deschutes County Office of Internal Audit has a 23-year history of providing reliable, independent, and actionable reports to the Deschutes County Board of Commissioners and community. Early in its third decade, perhaps it's a helpful time to review the Office's purpose and function. This memo outlines answers to questions such as

- Why do we have an audit function?
- What is an audit?
- What roles do auditors perform?
- What key elements are necessary for an effective audit function?
- Who oversees the auditor?

The conventional wisdom is that government cannot be effective in the absence of public trust. Government auditors play a central role in fostering such trust, and have even been referred to as guardians of public trust. Without them, citizens would lack credible insight into the soundness of the many inner workings of government. ~Richard Chambers, former Institute of Internal Auditors President

I've also provided a document, *The Role of Auditing in the Public Sector*, published by the Institute of Internal Auditors that provides more information.

Why do we have an audit function?

Accountability and transparency are key to maintaining a legitimate relationship between government and citizens. Government's not-for-profit nature, operation in the political sphere, and compulsory powers (police, taxation, and regulation) drive the need to know whether management uses authority appropriately, achieves goals, and provides services effectively, efficiently, economically, and equitably.

What is an audit?

The Government Accountability Office defines government auditing as an objective analysis to help management improve program performance, reduce costs, initiate corrective action, and contribute to public accountability.

A performance audit starts with clear questions and a plan for gathering evidence to support actionable conclusions. Auditors assess risk, choose suitable criteria, and design methods to gather reliable evidence to answer audit objectives. Fieldwork then tests and analyzes that evidence, with work papers documenting every step taken and the reasons why. Finally, the report tells a complete, concise story: including objectives, scope, and methods; findings and conclusions; practical recommendations; and management's views. The through line is rigor and transparency: plan well, test and validate, document thoroughly, and report clearly.

What roles do auditors perform?

Auditors provide

- **Insight.** Auditors can provide insight by identifying which programs are working and which are not, sharing best practices, innovations, and benchmarking results.
- **Foresight.** Auditors conduct trend analysis to identify emerging challenges before they become crises.
- **Validation.** Auditors can validate financial and performance reporting generated by management.
- **Oversight.** They help to answer questions about whether staff are doing what they are supposed to do.
- **Detection.** Audits can be used to identify behavior that is inappropriate, inefficient, illegal, or fraudulent.

- **Deterrence.** Auditors can assess controls and risks to prevent problems before they happen. Simply having an audit function can act as a deterrence. People are less likely to commit wrongdoing when they know someone is watching.

What key elements are necessary for an effective audit function?

Effective audit functions don't come naturally. Organizations must be intentional when establishing governance structures to protect auditor independence, access to information, and the ability to scope and report on audit objectives. Without these protections in place, management can intentionally or unintentionally influence audit outcomes, lessening the value that comes from providing reliable and unbiased information. Many of these protections are already established in Deschutes County Code section 2.14. Essential elements include:

- **A formal mandate.** DCC 2.14.001 creates a mandate for the Office of County Internal Audit, stating that the Office's purpose is to "provide independent objective assurance and consulting services designed to add value and improve Deschutes County's operations through improved performance and enhanced control environment thereby providing greater accountability to its residents."
- **Organizational independence.** DCC 2.14.025 establishes an independent reporting structure for the County Internal Auditor whereby the Auditor reports functionally to the County Audit Committee and administratively to the County Administrator.
- **Adherence to standards.** Government Auditing Standards provide a nationally recognized framework to conduct high-quality audits with competence, integrity, objectivity, and independence. DCC 2.14.025(B) requires that the County Internal Auditor adhere to these standards when overseeing the Office and reporting.
- **Determine scope and objectives.** Auditors must be able to independently select audit objectives and scope based on risk without allowing management to cherry pick well performing programs for review or to avoid areas they know are problematic. DCC 2.14.030 outlines areas the Auditor may include in an audit scope. DCC 2.14.040 describes the process for selecting audit topics. The Auditor proposes topics for inclusion on the audit plan which is approved by the Audit Committee.

- **Access to information.** Auditors can't draw conclusions without access to information. DCC 2.14.060 gives the Office unrestricted access to employees, information, and records (including electronic data).
- **Communication.** Auditors must have the ability to report objectives and conclusions regardless of whether they are favorable or unfavorable. DCC 2.14.070 requires that each initiated audit conclude with a report to the Board of County Commissioners and Audit Committee that includes relevant background information, findings, and conclusions.

Who oversees the auditor?

The work session today was requested to answer questions about oversight of the Office of Internal Audit. The Office reporting structure is unique in the County where most employees either report to the County Administrator or to an elected official with management responsibilities (such as the Sheriff). The County Administrator, County Counsel, and the County Internal Auditor are the only positions the Board of County Commissioners oversee directly. The Auditor's unique position is by design. Though internal auditors can add significant value through familiarity with an organization's operations and environment, stakeholder trust is impeded if independence is not protected. Unlike the County Administrator and County Counsel, the Code balances independence by requiring additional oversight for the County Internal Auditor.

- **Administrative Reporting.** The Internal Auditor reports administratively to the County Administrator. The County Administrator directly oversees conformance with County administrative rules including time recording, procurement and contracting, hiring and human resources management, and information technology security.
- **Functional Reporting.** The Audit Committee oversees other aspects of the County Internal Auditor's performance. Though the Board of County Commissioners has the ultimate authority to hire or dismiss the County Internal Auditor, the Board also consults with the Audit Committee. Additionally, the Audit Committee performs the County Internal Auditor's annual employee performance review and approves the annual audit work plan.

- **Outside Quality Review.** DCC 2.14.090 requires outside quality assurance reviews of the Office of Internal Audit to include compliance with Government Auditing Standards including
 - general standards such as competence, professional judgment, and quality assurance
 - fieldwork standards such as planning, supervision, and evidence
 - reporting standards such as report content, timeliness and distribution.

The Association of Local Government Auditors conducts these reviews every three years and results are presented to the Board of County Commissioners, the Audit Committee, and posted publicly on the Office website.

Although the Office's reporting structure is unique in the County, these three additional oversight requirements ensure that the Office of Internal Audit and the Internal Auditor operate according to standards that support reliable and objective reporting.