



Annual Report on Statewide Internal Audit Activities

Covering Fiscal Year 2010

December 30, 2010

Compiled by the Department of Administrative Services Internal Audit Section
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<http://oregon.gov/DAS/IA/>

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STATEWIDE INTERNAL AUDIT GOVERNANCE ATTRIBUTES

OAR 125-700-0025, 0035

The Institute of Internal Auditors (IIA), a globally recognized organization, defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.¹

Oregon Revised Statute 184.360 dictates internal audit activities within state government be coordinated to promote effectiveness. The Department of Administrative Services (DAS) was directed to adopt rules setting standards and policies for internal audit functions within state government, which were established as Oregon Administrative Rule (OAR) 125-700 Internal Auditing. Additionally, DAS is to annually submit a report to the Joint Committee on Ways and Means or the Emergency Board describing internal audit activities that have occurred in state government during the year; this report serves to meet that requirement by providing information on how agency internal audit functions are meeting the components of the law and the administrative rule.

During the Seventy-Fifth Oregon Legislative Assembly this law was revised to add requirements for executive department agencies required to have an internal audit function to:

- Produce risk assessments of their agencies in accordance with nationally recognized audit standards;
- Use its risk assessment as the basis for the selection and performance of at least one internal audit per calendar year;
- Audit a component of its governance and risk management processes at least once every five years and file a report with DAS; and
- File completed risk assessments and internal audit reports with the Division of Audits of the Office of the Secretary of State.²

The purpose of this law and the revisions which became effective January 1, 2010 is to increase and enhance the independence and professionalism of the internal audit function within state government.

STATEWIDE AUDIT ADVISORY COMMITTEE

OAR 125-700-0012

The Statewide Audit Advisory Committee (SAAC) was created to promote excellence and professional, standards-based internal auditing services in state government. SAAC serves in an advisory capacity to the Director of DAS. It is comprised of members both internal and external to state government and meets quarterly to discuss statewide audit matters and issues of interest.

On June 30, 2010 SAAC's membership roster included:

Scott L. Harra, Chair and DAS Director
Gary Blackmer, Director, Oregon Audits Division
Kingsley Click, Director, Judicial Department, (delegated to David Moon, Business and Fiscal Services Division Director)
Marlene Hartinger, Chief Audit Executive (CAE), Oregon Department of Transportation

¹ International Professional Practices Framework issued January 2009

² House Bill 3139

Kim Johnsen, External Member (since February 2010)
Theresa Masse, State Chief Information Security Officer, DAS (since April 2010)
Ken Rocco, Director, Legislative Fiscal Office (delegated to Laurie Byerly, Principal Legislative Analyst)
Satish Upadhyay, Administrative Services Division Chief, Oregon Department of Forestry (since November 2009)
Marc Williams, Administrative Services Division Administrator, Oregon Department of Justice; Risk Management Advisory Council representative (since May 2010)
Pamela J. Stroebel Valencia, CAE, DAS (Ex-Officio)

SAAC and DAS appreciate the service of the following members whose terms ended during FY 2010:

Debbie Ferguson, CAE, Standard Insurance (through February 2010)
Debbie Fifield, State Risk Manager, Risk Management Advisory Council representative (through May 2010)
John Radford, State Controller, DAS (through April 2010)
Craig Stroud, Budget and Finance Manager, Oregon Zoo (through August 2010)
Clark Seely, Associate State Forester, Oregon Department of Forestry (through November 2009)
Carol Welch, Vice President – Global Corporate Audit, Nike Inc. (through November 2009)

SAAC performed a survey of the state's internal audit community and affected agency management in 2006 and developed categories of issues to address to meet its charter objectives: Outreach, SAAC-CAE Connection, Training, Coverage and Reporting. SAAC annually reviews and updates its Action Plan. Below is a summary of work performed on the Action Plan during FY 2010 (no action was taken in the Training or Coverage areas during FY 2010):

Outreach

DAS's Internal Audit Section created a space on Oregon GovSpace, an internet based collaboration tool to allow a better opportunity for on-line networking and ease of sharing of ideas and best practices in internal auditing across state government.

The state's internal audit community formed a partnership with the Atkinson Graduate School of Management at Willamette University to allow students taking an auditing course to perform Small Purchase Order Transaction System audit work at agencies. The project provided the students excellent real-world experience to introduce them to the auditing career field. It also provided required compliance review work at a low cost to state agencies; as well as the opportunity for networking and for some auditors to gain supervisory experience. A general invitation to participate was extended to all agencies required to have an internal audit function; those that accepted were: the Departments of Administrative Services, Education, Fish and Wildlife, Revenue, State Lands, State Police, Oregon Youth Authority, and Public Utility Commission.

At the beginning of FY 2010, SAAC and the Risk Management Advisory Council created a partnership through providing a member from each committee to the other in an ex-officio capacity. The partnership was created to provide the opportunity for creating momentum in state government around Enterprise Risk Management (ERM) and its potential to benefit state government executive management teams in realizing risks to achieving their organizational missions and make informed decisions around managing those risks. Both groups continue to seek opportunities to leverage resources and promote ERM efforts.

SAAC-CAE Connection

The DAS CAE continues to hold quarterly meetings in conjunction with the state CAE's to provide updates on SAAC initiatives and receive input from the state's internal audit community to bring back to SAAC.

Reporting

The committee performed a self-assessment to review its structure, administration, mission and goals, and fulfillment of charter duties and responsibilities. The top three objectives for FY 2011 developed during this process include:

- 1) Work to update the charter and clarify the mission and objectives of SAAC in its role to promote and enhance professional, standards based internal audit efforts in state government.
- 2) Seek ways for SAAC to support the efforts of agency audit committees through increased interaction and providing education/training opportunities.
- 3) Seek opportunities to leverage risk information as received by the Oregon Audits Division and DAS to enhance audit efforts toward agencies highest risks and seek opportunities for educating management on ERM.

DAS created an on-line reporting format for this FY's annual reporting of internal audit activities. The on-line system should create efficiencies in the annual reporting process and helps ensure the reliability of the agencies reported information.

Moving Forward

Additional on-going work of the Committee and its direction to DAS includes:

- Revise the Internal Audit OAR to provide additional guidance and to simplify reporting for agencies;
- Compile results of follow-up and additional work internal audit functions have done since the Key Performance Measures report issued in conjunction with the Legislative Fiscal Office in February, 2009;
- Compile best practices and potential statewide issues from FY 2010 annual internal audit activity reporting for continuing discussions with the internal audit community; and
- Continue to review issues around recruitment and retention of internal auditors in state government.

AGENCY AUDIT COMMITTEES OAR 125-700-0035

Each state agency required to have an internal audit function (currently 31) is also required to create and maintain an audit committee to provide oversight of auditing and internal control for the agency and to help ensure the independence of the internal audit function. Agencies are encouraged to include qualified members of governing boards, commissions, individuals from outside their agency, or senior management officials not directly responsible for the internal audit function to enhance public accountability and transparency.

Twenty-seven state agencies reported having an established internal audit committee; all except one have an approved charter. Eighteen of these agency committees have at least one member external to the organization, nine are chaired by an external member, and membership of three is fully comprised of external representatives. Audit Committee sizes range from three to fourteen members and meeting frequency is generally quarterly (three reported meeting less frequently; three meet more frequently; one committee meets as needed and one is not currently meeting).

INTERNAL AUDIT REPORTING STRUCTURE WITHIN THE AGENCY

OAR 125-700-0045

In order for the CAE to maximize objectivity, the position should report administratively to the agency head or designee and functionally to the audit committee. Of 28 the agencies with an established internal audit function, all but one reported that the Chief Audit Executive or primary internal audit position (including contractors) reported to the Director or Deputy Director level position within the Agency, and had full access to the audit committee. One agency did not report where the contracted internal audit function reported.

Of the 24 agencies with internal audit duties assigned to staff, 10 reported the person designated as Chief Audit Executive regularly attends high-level management and leadership meetings of the agency. An additional five stated the Chief Audit Executive is occasionally invited or attends on an as-needed basis. Nine agencies did not report this information.

AUDITING STANDARDS

OAR 125-700-0025

Eighteen of the agencies with dedicated full-time internal audit staff follow *International Standards for the Professional Practice of Internal Auditing* issued by the IIA. Three follow *Generally Accepted Government Auditing Standards* promulgated by the United States Government Accountability Office. Agencies who satisfy the requirement for an internal audit function with a contractor should specify professionally recognized standards to be followed in the contract; two of those agencies reported the contracted work was performed following *Standards for Consulting Services* established by the American Institute of Certified Public Accountants. Internal auditors who perform audits of specific topics, such as information technology, may follow a specialized set of standards to conduct such work. Those standards should be specified in the audit report.

SUMMARY OF INTERNAL AUDIT ACTIVITIES FOR FY 2010

OAR 125-700-0020, 0050, 0055

Thirty-one agencies currently meet the criteria in OAR 125-700-0020 requiring an internal audit function (biennial expenditures exceed \$100,000,000; number of Full Time Equivalent (FTE) employees exceeds 400; or dollar value of cash items processed annually exceeds \$10,000,000).³ DAS received annual activity reports from all but two of the agencies required to report, and those two each submitted letters generally stating internal audit activities for the time period.

An agency has an established internal audit function if it has dedicated at least a portion of internal staff resources to internal audit or obtained contracted resources to perform the duties. Of the agencies required to have an internal audit function, twenty-one have assigned formal internal audit duties to full-time audit staff; three of those audit functions were vacant at the end of FY 2010. Information on these functions contained in the table below is as of June 30, 2010.

³ Currently self-reported by Agencies

Agency	Number of Budgeted IA Positions	Number of Vacancies	Annual Risk Assessment	External Assessment Year Completed/Due
Administrative Services	2~	1	Yes	2006/ 2011
Consumer & Business Services	1	0	Yes	2010/2015
Corrections	4~	0	Yes*	2010/2015
Employment	1	0	Yes*	2011
Energy	1	1	Yes	2015
Forestry	1	0	Yes	2013
Housing & Community Services <i>Position on job rotation during FY</i>	1	0	Yes	2013
Human Services	10	1	Yes*	2006/2011
Judicial Department	1	1	Yes*	Past Due
Justice, Department of	1~	0	Yes	2012
Lottery	4	1	Yes	2010/2015
Military	1	0	Yes*	2008/2011
Parks & Recreation	1	1	Yes	2013
Public Employees Retirement System	3	0	Yes	2005/2010
Revenue	2~	0	Yes*	2010/2015
State Lands	1	0	Yes	2012
State Police	1	0	Yes	2013
Transportation	6	0	Yes*	2009/2011
Treasury	2	0	Yes	2007/2012
Oregon University System	11	1	Yes*	2006/2011
Oregon Youth Authority	1	0	Yes*	2011
TOTAL	56	7		

~Staff also included internship or developmental positions during portions of the FY.

**The date the risk assessment and/or the resulting audit plan was approved by audit committee fell outside FY 2010 or was not reported.*

Of the remaining ten agencies, seven are currently fulfilling OAR requirements through alternate methods as denoted in the following table (three agencies had minimal internal staff time dedicated to internal audit as indicated below):

Agency	Method of OAR Compliance	Annual Risk Assessment*
Agriculture	Planning to Outsource	No
Community Colleges & Workforce Development	Outsourced 50% FTE	No
Business Oregon	Outsourced	Yes
Education	Planning to Outsource	No
Environmental Quality	Planning to Outsource (Had .5 FTE during FY)	Yes*
Fish & Wildlife	Utilizing other Staff (.43 FTE)	No
Liquor Control Commission	Outsourced (Internal .2 FTE)	Yes*
Public Utility Commission	Utilizing other Staff	Yes*
Oregon Student Assistance Commission	Outsourced	Yes
Veterans Affairs	Planning to Outsource	No

Note: These agencies do not have to fulfill the external review requirement.

STAFFING

Turnover and Recruiting

Of the 21 agencies with full-time staff dedicated to the internal audit function during FY 2010, 7 (33 percent) had open internal audit positions at the end of the FY. An additional 6 agencies had at least 1 internal audit vacancy at some point during the year. In total, internal audit FTE is down 7.17 across state government (13 percent of the FY 2010 ending total) from FY 2009 and 8.12 from FY 2008.

FY 2010 Staffing and Funding Issues by Agency

- **The Department of Veterans Affairs** CAE position was vacated during the fiscal year due to an internal promotion. The position is currently being held vacant for budgetary reasons. The agency plans to contract out for the services in the future.
- **The Department of Energy** established an internal audit function in FY 2008 with a part-time internal auditor and received an approved Policy Option Package in the 2009-2011 budget for a permanent internal audit position. The Department recruited and filled the position in December 2009; however the employee left the position in June 2010. The Department is currently holding the position vacant pending the completion of an audit being conducted by the Secretary of State Audits Division.
- **The Parks and Recreation Department** re-established its internal audit function in FY 2009 after a failed recruitment in the previous year. The auditor left the position in April 2009 at which time the Department re-developed the position and successfully recruited early in the second quarter of FY 2011.
- **The Department of Environmental Quality** hired a temporary Internal Auditor to complete a specific risk assessment in FY 2010; an internal audit position has been approved but the agency lacks the funding to hire a full-time position. The Department continues to pursue contracting for the services or potentially sharing an internal audit position with another agency. It has met some of the OAR requirements utilizing other staff in the agency.
- **The Department of Community Colleges and Workforce Development** (CCWD) had a part-time internal audit function during FY 2008 and made a request to fill a full-time position in its 2009-2011 budget, which was not approved. CCWD plans to make a similar request for the 2011-2013 biennium. The Department is currently meeting the internal audit requirements through contracted resources.
- Both **the Department of Fish and Wildlife** (ODFW) and **the Oregon Liquor Control Commission** (OLCC) requested full-time positions in their 2009-2011 budget requests, but both requests were denied (OLCC made a similar request in the 2007-09 budget process). Both agencies have moved forward in establishing governance structures for the internal audit function and utilize other staff within the organization to meet the requirements of the OAR; OLCC has also utilized contracted resources. **The Department of Agriculture** has also historically been unable to secure budget resources for an internal audit position but intends to pursue contracted services or sharing a function with another natural resource agency. **The Department of Justice** brought forth a 2009-11 Policy Option Package for an additional internal audit position, but the package was not approved.

Budget Reduction Impacts to Internal Audit

Budget reductions continue to impact internal audit positions in the state, which will ultimately reduce internal audit work performed in affected agencies; some of the agencies affected for FY 2010 include:

- **The Department of Education** abolished its only internal audit position effective July 25, 2009. Education will contract out audit work to meet the OAR requirement.
- **The Judicial Department** lost two of its three internal audit positions as well as its developmental position early in FY 2010. Its Chief Audit Executive position also became vacant and was held vacant through the end of the fiscal year.
- **The Department of Revenue** was unable to fill its Developmental position due to budget constraints.

Other agencies have taken budget reductions in internal audit positions outside FY 2010. In FY 2009, **the Department of Administrative Services** lost one of its three internal audit positions and **Oregon University System's** five audit supervisor positions were reduced to three. **The Department of Forestry** eliminated its sole internal audit position effective November 1, 2010 and plans to seek alternative methods for meeting the OAR requirements.

Professional Certifications and Advanced Degrees

Of the 21 agencies who reported having staff dedicated to the internal audit function during FY 2010, 18 (86 percent, up from 78 percent in FY 2009) reported having at least 1 staff member who held a professional designation or advanced degree (some staff members hold more than 1). The following percentages of FTE hold these designated professional certifications:

	<u>FY 2009</u>	<u>FY 2010</u>
Certified Public Accountant (CPA)	34 percent	39 percent
Certified Internal Auditor (CIA)	20 percent	28 percent
Certified Information Systems Auditor (CISA)	19 percent	21 percent
Certified Government Audit Professional (CGAP)	12 percent	12 percent
Certified Fraud Examiners (CFE)	11 percent	16 percent

Additionally one internal auditor in state government is a Certified Investment Derivative Auditor.

Also within the audit community, the following percentages of employees hold these advanced degrees:

	<u>FY 2009</u>	<u>FY 2010</u>
Master in Business Administration (MBA)	17 percent	21 percent
Master in Public Administration (MPA)	6 percent	9 percent

Additional Master's Degrees held by internal audit staff in FY 2010 include: Public Policy, Educational Leadership, and an unrelated field. One agency reported having one staff member currently working on an MBA and another has an employee enrolled in a CPM program.

Although not formal advanced degrees, two internal auditors have obtained a Certificate of Public Management and another is currently enrolled in the program. Six internal auditors have graduated from the state's Leadership Oregon program and one was participating in a program at the end of the Fiscal Year.

Professional Organizations

According to Salem Chapter records, fifty-two internal auditors in Oregon state government are members of the IIA. Auditors (or staff who perform audit services) from the Departments of Corrections, Justice, Human Services, and Fish and Wildlife, the Judicial Department, Oregon Youth Authority and Oregon University System served on the Salem Chapter Board of the IIA during FY 2010.

Other memberships in professional organizations held by at least one internal auditor in Oregon state government include (most associated with professional certifications held or related to a specific agency's mission): Oregon Society of and American Institute of Certified Public Accountants, Association of Certified Fraud Examiners, Government Finance Officers Association, Information Systems Audit and Control Association, and Association of Public Pension Fund Auditors.

In addition to holding memberships in professional organizations, several agencies have auditors who participate on national committees and provide training to other groups:

- **The Department of Administrative Services**: The CAE is a volunteer instructor for the IIA and provided training to the Salem Chapter of the IIA on performing quality assurance reviews.
- **The Department of Corrections**: The CAE provides training to state auditors on the electronic audit work-papers software package utilized by many internal audit functions in the state.

EXTERNAL REVIEWS

125-700-0055

State internal audit functions are required to have an external peer review in accordance with the professional standards they follow. The IIA's *International Professional Practices Framework* requires an external quality assurance review every five years and the requirement under the United States Government Accountability Office's *Generally Accepted Government Auditing Standards* is for an external review to be performed every three years.

Agencies that submitted an External Review report in FY 2010 and the results of those reviews are as follows:

- **The Department of Consumer and Business Services** received a ranking of Generally Conforms.
- **The Department of Corrections** received a ranking of Generally Conforms.
- **The Department of Revenue** received a ranking of Partially Conforms.
- **The Oregon State Lottery** received a ranking of Generally Conforms.

The following agencies are out of compliance with the external review requirement:

- **The Department of Education**: Because the internal audit function was eliminated as part of the budget reduction process, the agency's Audit Committee determined there would be little value derived from obtaining an external quality assurance review of the function.
- **The Oregon Judicial Department**: The external review was due in June 2006 but due to 100 percent turnover in internal audit staff, including the CAE, the review was postponed so sufficient work from the current team would be available for the review. The agency entered into contract negotiations during the beginning of 2009 to have a review performed. However, the current budget crises prevented them from completing that process. Due to 100 percent turnover in FY 2010 they are now working on an agreement to have the review performed by internal auditors from other state agencies and expect this will be complete during FY 2012.

SUMMARY OF WORK PERFORMED IN FY 2010

125-700-0040

Audit Reports Issued

*Auditors are not required by standards or OAR to provide risk rankings for audit reports.

Agency Name	Audit Report Name	Date Issued	Audit Report Risk*
Administrative Services	10-01 Small Purchase Order Transaction System Program	6/28/2010	Medium
	10-02 Risk Management - Key Performance Measure Data Integrity Audit	6/30/2010	Low
	10-04 Information Security - Publishing and Distribution	6/30/2010	Medium
Community Colleges and Workforce Development	Audit of Commissioner's Travel Expense Claims and Time Reporting/Payroll Expenditures		
Public Employees Retirement System	Benefit Calculation Audit	9/25/2009	Medium
	Performance Measures Data Integrity	9/25/2009	Medium
	IRS Plan Qualifications Risk Assessment	11/20/2009	High
	IT Security Audit	11/20/2009	High
	Disability Eligibility and Benefit Calculation	3/18/2010	Medium
Department of Corrections	Specialized Training Audit	8/17/2009	High
	Information Technology Security Administration Audit	8/5/2009	Medium
	Classification Review Process Audit	9/9/2009	Low
	Offender Information & Sentencing Computation Audit	9/9/2009	Low
	SPOTS Audit	8/20/2009	Mandatory
	Key Performance Measure Follow-up Audit	9/29/2009	Low
	Independent Food Service Report Follow-up Audit	1/27/2010	High
	Behavioral Health Services Audit	3/10/2010	High
	Inmate Movement Audit	2/25/2010	Medium
	Inmate Property Controls Audit	5/13/2010	High
	Personnel Records Audit	6/22/2010	Low
Consumer and Business Services	08-06 FY08 Small Purchase Order Transaction System Card Review	9/18/2009	Medium
	09-03 FY09 Small Purchase Order Transaction System Card Review	4/20/2010	Medium

Agency Name	Audit Report Name	Date Issued	Audit Report Risk*
Public Utility Commission of Oregon	SPOTS Card Audit	4/20/2010	Low
	Oregon Universal Service Fund review of 3rd party administrator	5/12/2010	Low
Department of Human Services	Temporary Assistance for Needy Families, Maintenance of Effort	3/17/2010	
	Random Moment Sampling	4/28/2010	
	Behavioral Rehabilitation Services	4/29/2010	
	Business Continuity Planning	5/25/2010	
	Contracting: Delegated Authority	6/30/2010	
Department of Transportation	SPOTS Card Annual Compliance Review: Overall ODOT Complies with State Regulations, but Improvements Needed in Following Up and Documenting Corrective Actions on Card Use Infractions	11/3/2009	Low
	Fiscal Year 2009 SPOTS Card Annual Compliance Review: Overall, SPOTS Card Usage and Internal Cards Appeared Adequate but Improvements are Needed in Several Areas	2/22/2010	Low
	Follow-Up Audit: Intergovernmental Agreements Lack of Authority Makes Agency-wide Change Unlikely at this Time	2/23/2010	High
Department of Fish and Wildlife	Small Purchase Order Transaction System Card Program Annual Audit	5/6/2010	Low
Oregon University System	4H Program	7/23/2009	
	Bend Travel Review	7/31/2009	
	OUS Vault Count Review	8/14/2009	
	Payroll Advances	8/18/2009	
	OUS Procurement Card and Travel Reimbursement	9/10/2009	
	Gift Card Purchases	9/18/2009	
	Executive Change Reviews	10/7/2009, 12/15/2009, 1/19/2010	
	Business Affairs Office Safekeeping Program	11/23/2009	
	Business Center Model Development	12/10/2009	

Agency Name	Audit Report Name	Date Issued	Audit Report Risk*
	Information Security Policy Audit follow up	12/15/2009	
	OUS Payroll Operations	12/15/2009	
	NCAA Football Bowl Subdivision Attendance Certification	2/10/2010	
	Department of Physical Education and Recreation	2/22/2010	
	OSD Classes	4/5/2010	
	OUS Audit Recommendation follow up	4/7/2010	
	Athletics HR Policy Review	5/10/2010	
	OIMB	5/20/2010	
	OUS Financial Aid	5/29/2010	
	ASUO Programs	6/17/2010	
	OUS- ARRA	6/22/2010	
Oregon Youth Authority	SPOTS Card Program Annual Audit, Report #10-01	7/9/2010	Medium
Department of Justice	Safeguards for Handling Cash and Checks (Portland Office)	3/30/2010	Medium
Parks and Recreation	Policy Management Review	10/23/2009	High Risk
Oregon Lottery	Enterprise Series User Access: Phase 1	8/12/2009	Medium
	Electronic Funds Transfer	9/14/2009	Low
	VISA Card Program Review (CY '08)	8/25/2009	Low
	Enterprise Series User Access Phase 2	9/30/2009	Medium
	FirePass	3/15/2010	Medium
	Video Lottery Terminal Deployment	7/15/2010	Low
	Enterprise Series Online System Data Integrity	7/26/2010	Low
Department of Revenue	SPOTS	5/5/2010	Low, but mandated
	Timely Termination of Access	10/13/2009	High
	Eugene Field Office	1/8/2010	High
	Portland Field Office	2/24/2010	High
Oregon Department of Energy	Cash Receipts Processing Controls	4/12/2010	
	SPOTS Purchase Card Compliance Review	6/30/2010	
State Police	Small Purchase Order Transactions System Audit	5/14/2010	Low
	Key Performance Measures Review	9/15/2009	Moderate
Oregon Student	Key Performance Measures Review	3/16/2010	Medium

Agency Name	Audit Report Name	Date Issued	Audit Report Risk*
Assistance Commission		12:00:00 AM	
Oregon Liquor Control Commission	Small Purchase Order Transaction System Audit	8/6/2009	
Oregon Business Development Department	Disbursement Process Review	6/8/2010	
Department of State Lands	Review of Cash Handling and Cash Balances at the South Slough National Estuarine Research Reserve Interpretive Center Bookstore, under the operation of Friends of South Slough, Inc.	12/9/2009	Low
	Audit of Small Purchase Order Transaction System (SPOTS) - Credit Card Program – 2010	4/12/2010	Medium
	Internal Audit Report on Data Integrity Estates Program - Key Performance Measure #5 Fiscal Year 2009, Net Revenue from Escheated Estates	8/3/2010	Medium
Oregon Liquor Control Commission	Follow-up Review on prior audit recommendations: Information Security Risk Assessment	6/27/2008	
	Follow-up Review on prior audit recommendation: Oregon Liquor Control Commission's Licensing Function Lacks Accountability and Effective Oversight	6/25/2009	
	Fuel Card Program Internal Audit	6/7/2010	High
Department of Education	Small Purchase Order Transaction System Card Program Review	6/8/2010	Medium
	Organizational Maturity Assessment	7/28/2010	Medium
Department of Forestry	Audit of Department Governance Processes - Assessment of the Department's Documented Ethical Guidance	6/24/2010	High
Employment Department	Overpayment Recovery Audit	3/5/2010	
	Contract Procurement Audit	6/30/2010	
	SPOTS Card Program Audit	12/15/2009	
	Sub recipient Monitoring Audit	5/5/2010	
Judicial Department	Marion County Circuit Court – Change of Trial Court Administrator	9/1/2009	
	Follow-up Data Security Audits of 12 County Circuit Courts	7/28/2009	

Agency Name	Audit Report Name	Date Issued	Audit Report Risk*
	Multnomah County Circuit Court Cash Handling Procedures	9/18/2009	
Office of the State Treasurer	Information Technology (IT) Policies and Procedures Audit	8/3/2009	Moderate/High
	Opportunity Portfolio Internal Controls Audit	11/5/2009	Moderate/High
	Eagle PACE Internal Control and Application Review Audit	11/5/2009	Moderate
	Access Control Follow Up Audit	1/26/2010	Moderate
	Information Security ISO Gap Assessment Audit	1/26/2010	Moderate
	Short Term and Fixed Income Portfolios Internal Controls Audit	1/26/2010	High
	Oregon 529 College Savings Board and Network Internal Controls Audit	3/31/2010	Moderate

Consulting Activities

Consulting services are advisory and related client service activities, the nature and scope of which are agreed upon with the client and which are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.

Agency	Consulting Activity
Administrative Services	Regularly provide training for various levels of agency employees and management on topics including ethics, risk management and internal controls.
	Serve as the liaison with agency management on external audits.
	Provided a management memo to a specific Program's management related to website security.
	Provided two memos to management related to reviews of specific position descriptions relative to information security.
	Reviewed and provided input on various draft policies, strategic planning documents, and survey and assessment tools.
	Internal Audit staff attend various levels of management meetings to provide input including Executive Team, Information Technology Governance Council, State Data Center Chief Information Officer Advisory Council, Supervisors and Managers.
Community Colleges and Workforce Development	Sub-recipient monitoring for WIA federal grant awards passed through to local areas, included a review of American Recovery and Reimbursement Act expenditures and program compliance.
	Assist and train fiscal staff in the timely completion of fiscal year end financial and federal grant reporting.
	Assist in the establishment of funds and accounting structure and review

Agency	Consulting Activity
	of legal documents and act as liaison for the Department with officials outside parties to implement legislation for the sale of bonds to help finance capital construction projects.
	Act as liaison with Audits Division and their contractors and federal agency auditors on current audit engagements.
	Review non WIA federal grants received by the department to determine compliance requirements for the proper use of the grant funds.
Public Employees Retirement System	Information Security
Department of Corrections	POV Mileage Reimbursement – approximately every six months Internal Audit reviews personal mileage reimbursements.
	Conducted joint investigations with our Special Investigations Unit.
	Conducted Cost of Care investigations.
	Researched and responded to SOS Fraud Waste and Abuse calls.
	Sat in an independent advisory capacity on various committees (ie; IT Governance Committee, Forms Workgroup)
	Provided guidance on application of the Oregon Ethics Law on a number of occasions.
	Provided data and analysis used for determining inmates’ ability to pay for cost of care.
Consumer and Business Services	Petty cash to reimburse parking expenses
	Contract review and advice
	Governance Counsel
	External audit process and planning consultation
	Policy and process review and feedback
	Segregation of duties consult
	Follow-up on prior audit findings
Oregon Youth Authority	Reintegration Grant Risk Assessment
	Facility Staffing Analysis
	Assistance to the Professional Standards Office on Multiple Investigations
	Youth Education and Vocation Consulting
	Change in Superintendent Review
	Served as the liaison for external audits conducted by the Secretary of State.
Department of Human Services	Multnomah County - SE Portland AAA Fraud Mitigation Review
	Oregon State Hospital Medicaid Cost Report FY 2008 Review
	Quality Assurance of ARRA Funds Reporting Process
	MMIS Internal Control Role and Responsibilities Report

Agency	Consulting Activity
	MMIS Certification and an Internal Controls Review Report
	Coordination of nine Secretary of State, Audits Division external reviews
	Participation/Coordination with 15 federal reviews
	Coordinated follow-up efforts on prior audit and review findings
	Participated in department management training efforts
	Participated in Program Integrity Transformation Initiative
Department of Transportation	OMB Circulars A 87 & A 122 Consulting
	Financial Services Contract and Payment Consulting
	Department of Aviation Consulting
	Department of Public Safety Standards and Training Consulting
Department of Fish and Wildlife	Financial Close Process Risk Assessment
	Information Security Business Risk Assessment
	Director's Transactions Annual Review
	Employee Leased Housing Compliance Review
	Sub-Recipient Monitoring Review (The Nature Conservancy)
Department of Justice	Training Presentation to Division Management: "Risk Management: An Opportunity to Shape Outcomes"
	Policy Review/Comment: Safeguarding Sensitive ACH Information, Federal Grant Accounting, Confidential Investigations Funds, Regulated Data Access Controls, Security Incident Response
	Federal Grant Allowable Costs
	Controls for Undeliverable Checks
	Forged Checks Controls and Loss Reporting
	Controls Over Checks
	Policy Awareness
	Response to Potential Ethics Violation
	Training: Electronic Cash Receipts Logs
	Survey of Third Party Controls
Department of Revenue	ISBRA
	Business Initiative for Request for Computer Access System
	Agency Information Security Training
	Agency Risk Training
	Reconciliation Process for PIT and CORP Returns
	ACH Risk Assessment DOR/Treasury
	Data Mining Software Training – ACL
	Core Systems Replacement Project

Agency	Consulting Activity
	Car Usage Analysis
Parks and Recreation	Consulting on major IT projects
	Financial Transactions Review by the Senior Policy Analyst (including the SPOTS review)
Oregon Lottery	SmartCount (Scratch-its Inventory System) Implementation - Consulted the SmartCount Project Team by providing advice regarding the design and implementation of internal IT controls over the SmartCount system.
	Role Management and Compliance System Implementation - Consulted the Role Management and Compliance (RMC) Project Team by providing advice regarding the design and implementation of internal IT controls over the RMC system.
	Scratch-Its Returns - Consulted the Scratch-Its Returns Project Team by providing advice on the internal control design over the Scratch-its returns process/procedures.
	Raffle Drawings - Consulted on Raffle project scope documents, draw procedures, cross-promotional sales opportunities and processes, and marketing methods. Reviewed and concluded on the adequacy of controls and related procedures for determining invalid raffle tickets that are excluded from the draw.
	Mega Millions Agreed Upon Audit Procedure Requirement - Researched other states' methods/interpretation in meeting this requirement and provided a recommendation to management on how to fulfill this requirement.
	PDX Kiosk - Consulted with management to verify the adequacy of internal controls over cash handling and Scratch-Its ticket inventory procedures at the newly-opened Lottery-operated kiosk located at Portland International Airport (PDX Kiosk).
	Data Analytics - Assisted Security Division in performing data analysis of retailer information/traditional product games (i.e. Keno, Pick 4, Powerball, etc.) using IDEA data analytics software.
	External Security Review - Reviewed the results of the of external Security Reviews for our major printing vendors and discussed the results and necessary actions with Lottery Security and Traditional Product Manager.
	Sustainability Team - Assisted Materials Manager in reviewing sustainable project proposals to be implemented throughout the Lottery.
State Police	Fund Balances - Identification Services Section (ISS) was identified on Annual Risk assessment as a possible audit area. It was agreed that more value would be added if the engagement was accepted in a consulting capacity. The engagement was accepted as an assignment to develop a report that would comply with the Oregon Legislature's directive that the Oregon State Police review current fees being charged by ISS, including an estimate of what a specific fee must be to support its share of the costs for the total programs

Agency	Consulting Activity
	Consulting with Oregon State Athletic Commission (Cash Controls)
Oregon Military Department	1. Combined Logistics Review Team (CLRT) Checklist Ammunition Management. 2. Utility Taxes Paid with Federal Funds
Oregon Liquor Control Commission	Commission Governance Initiative: 1) Created Commissioner and Executive Orientation Handbook and 2) Conducted Commissioner and Executive Staff Self-Assessment Surveys. Major outcome includes a new bi-monthly meeting of commissioners and division directors to discuss and resolve high-level matters of current and emerging agency policy.
	Business Continuity Planning: Completed Plan and Event Test - December 2010
	Business Metrics for Policy Option Packages - Agency Request Budget for 2011-13
Department of Environmental Quality	protecting social security numbers processed through business office
	improvements to DEQ SPOTS program
Department of State Lands	Information Security Plan Risk Assessment
	Consulting services on classification of information assets
	Consulting services on compliance with ISO Standards
	Work with external consultant on revision of Department's accounting for investments
	Consulting services on invoicing process for leasing contracts
	Consulting services for accounts receivable tracking
	Consulting services on Key Performance Measure Reporting
Department of Forestry	Risk Management and Analysis Process Training
	Organizational Management Team
	Professional Standards Workgroup
	Improving Fire Payroll
Employment Department	Performed 5 reviews/investigations at the request of management: <ul style="list-style-type: none"> • Missing Leased Copiers • Public Record Disposition • Credit Card Misuse • Questionable Contractor Service • Violation of Confidentiality & Policy in Response to Customer Complaint
Judicial Department	Review of revenue and expenditure data for the Publications Section
	Assessment of the impacts of the American Recovery and Reinvestment Act regulations on OJD.

Other Value-Added Activities

Internal Audit functions have added value and assisted management in making improvements to the operations and performance of the agency’s programs. In addition to the types of consulting and other activities described previously, specific examples of activities performed in FY 2010 are as follows:

Agency	Other Value Added Activity
Administrative Services	Audit staff provided professional training to auditors outside the agency including the local chapter of the Institute of Internal Auditors, a lunch event on Computer Assisted Audit Techniques; and participated in a panel on Internal Controls related to Information Technology.
	Senior Internal Auditor led the Quality Assurance Peer Review for the Oregon Department of Corrections.
	CAE serves as Ex-Officio member of Risk Management Advisory Council and Friend of the Committee on Performance Excellence.
	CAE facilitated a workgroup of agencies receiving Recovery Act funding to review risks in the process and review controls to ensure data integrity.
	Manages enterprise license for TeamMate, internal audit software utilized by many state agencies, including the Oregon Audits Division.
	CAE orients new state agency CAEs, pairs them with a mentor CAE, and often provides recruitment support to agencies filling internal audit positions.
Department of Agriculture	<p>Without a formal established internal audit function the agency has integrated continuous improvement processes into existing programs, examples of which include:</p> <ul style="list-style-type: none"> • Providing training for agency staff on proper procedures for purchasing and reporting SPOTS card transactions. • Consistently reviewing travel procedures; implemented a committee for reviewing processes. • Administrative retreat is held annually to review agency performance toward meeting internal and external goals and objectives. • Comply with DAS requirements for a fleet review. • Participated in a Payment Card Industry Risk Assessment. • Have an IT Management Planning Council as advisory and oversight. • Reviewed financial processes for segregation of duties. • Developed and tested an internal batch processing system and procedure for renewal of various agency licenses; implemented quality assurance processes.
Public Employees Retirement System	Quality Assurance Review performed for another state agency.
	CAE serves as Information Security Officer and chairs Information Security Board Meetings.
	CAE serves on Audit Committee for METRO annual financial audit.
	Sr. Internal Auditor serves on the Board for the Portland Chapter of the Institute of Internal Auditors

Agency	Other Value Added Activity
Department of Corrections	Act as liaison with external auditors.
	Issued agency-wide messages discussing such topics as the Oregon Ethics Law, SPOTS rules, Fundraising Activities etc.
	A DOC Senior Auditor conducted a Quality Assurance Review of the Oregon Department of Revenue Internal Audit function.
	The CAE served as the Statewide CAE Coordinator.
Consumer and Business Services	Serves on various internal committees to provide proactive consulting services and keep up-to-date on current issues facing the Department. During FY 09, these committees included: Information Resource Steering Committee Information Security Subcommittee Data Steward Subcommittee
	Asset Loss communication and tracking
	Coordination and mentorship provided to managers performing interagency required audits.
	External Audit Coordination for the Statewide Audit of Selected Financial Accounts.
	Additionally, the internal auditor audited the Institute of Internal Auditors Salem, Oregon Chapter year ending May 31, 2009 financial records and documentation. This service was provided outside of work hours in exchange for continuing professional education.
Oregon Youth Authority	Participated as a team member on an external quality assurance review at the Oregon Department of Corrections.
Public Utility Commission of Oregon	All SPOTS card holders were required to complete refresher training. The agency was able to work with a Willamette MBA intern to assist in the SPOTS card audit. The project resulted in real world experience for the intern, and provided an organized format for the agency to use in future SPOTS card audits.
Department of Human Services	Provided support to OR-Kids Child Welfare automated system design
	Provided support to the Business Integrity Experts
	Participated in Administrative Services Division Information Systems Committee
Department of Transportation	Drafted self-assessment tool for SAAC and agency internal audit committees
	Updated policies on internal audit function and Audit Committee role
	Served as liaison with external auditors
	Participated in peer reviews of other state DOT audit organizations
	Member of the AASHTO Subcommittee on External/Internal Audit's Peer Review Panel
	Performed follow up on prior internal audit recommendations
Department of Justice	Assistance with ACH Compliance Risk Self-Assessment Project

Agency	Other Value Added Activity
	Feedback to DAS on proposed OAR on internal audit function
	Assistance with policy recommended by Audit Committee: "Management Response to Audit Findings and Recommendations"
	Expansion of Internal Audit Services Intranet page to promote fraud prevention
	Coordination of Audit Committee meetings
	Member of Board of Governors, The Institute of Internal Auditors Salem Chapter
Department of Revenue	Non-Voting Member of ISP Committee
	Non-Voting Member of Joint Field Banking Committee
	Non-Voting Member of the Market Research Presentations Committee
	Liaison for Secretary of State Audits
	DOR Developmental Program for Aspiring CPAs
Oregon Lottery	NASPL (National Association of State and Provincial Lotteries) Audit Subcommittee Peer Review - During Fiscal Year 2010, Lottery volunteered the time of a Senior Internal Auditor to perform an external Quality Assessment Review for the Oklahoma State Lottery Internal Audit Function. This review assessed adherence to IIA Auditing Standards.
	Continuous Monitoring reviews of User Access to EPICOR and RMS systems - Our reviews help ensure that 1) access granted provides for an appropriate segregation of duties, 2) only current employees have access, and 3) sensitive access is appropriately limited.
	Raffle Winner Selection - To help ensure the integrity, fairness, honesty, and security of the Raffle winners selection, Internal Audit is an independent participant on the Raffle Drawing Team to provide Lottery management with the assurance that Raffle Drawing Team members adequately followed the Raffle drawing procedures and that the drawing process complied with applicable Lottery Division Rules.
Oregon Student Assistance Commission	Performed follow-up on prior internal audit recommendations
Oregon University System	External audit liaison with federal and state agencies to provide synergy.
	Administered Financial Concerns Hotline and reporting.
	Consulted with system and campus personnel on various policy issues as well as system design
	Consulted and followed up on campus data security breaches
	Training efforts – Presented internal control sessions
	Professional association leadership – Association of College and University Auditors – Nominating committee
Oregon Business	Performed follow-up on prior internal audit recommendations.

Agency	Other Value Added Activity
Development Department	
Oregon Department of Energy	ARRA Team participation: attended ARRA Team meetings and provided input, as requested by the ARRA Team. Reviewed and recommended documentation standards for select invoices.
Oregon Liquor Control Commission	Strategic Planning Facilitation
Department of Environmental Quality	Align DEQ SPOTS program with Oregon Accounting Manual
	Review DEQ SPOTS training program
	Review SPOTS separation of duties
Department of State Lands	Risk management incident tracking and claim reporting
	Work with Risk Management Advisory Council to reach out to all Oregon State Agencies and to provide a forum for stakeholders to exchange information, generate ideas, and make recommendations to DAS Risk Management in accordance with the Advisory Council Operations Guidelines
	Assist with the Quality Assessment of the Internal Audit Shop at the Oregon Department of Revenue required by the Red Book Standards
	Complete the 2010 DAS Risk Management Property Report
Judicial Department	Coordination and comments for Secretary of State Audits Division report titled "Ordering Restitution for Victims"