Oregon
John A. Kitzhaber, MD, Governor

Department of Administrative Services
Chief Operating Office
155 Cottage Street NE; U20
Salem, OR 97301
PHONE: (503) 378-3104
FAX: (503) 373-7643

December 18, 2012

Senator Richard Devlin, Co-Chair
Representative Chris Harker, Co-Chair
Representative Kim Thatcher, Co-Chair
Legislative Audits, Information Management and Technology Committee
900 Court St. NE
Salem, Oregon 97301

Re: Annual Report on Statewide Internal Audit Activities for the fiscal year ended June 30, 2012

Senator Devlin, Representative Harker, and Representative Thatcher:

It is an honor to present to you the Department of Administrative Services' (DAS) eighth annual report on statewide internal auditing activities as required by Oregon Revised Statute (ORS) 184.360 (4).

This year's report includes:

- Progress on the outline of a strategic direction for statewide internal audit,
- Information governance of internal auditing in the state,
- Statewide internal audit activities occurring between July 1, 2011 and June 30, 2012,
- Performance measure information including vacancies, recruiting efforts, professional certifications of audit staff, and agency compliance with the internal audit statute and administrative rule, and
- Tables which delineate specific activities by agency including audit reports issued, consulting engagements and other value-added work performed by internal audit functions.

The Statewide Audit Advisory Committee approved this report at their November 26, 2012 meeting. If you have questions, or would like to obtain additional information, please contact me or Renee A. Klein at (503) 378-3076.

Sincerely,

Sarah Miller

Sarah Miller
Deputy State Chief Operating Officer and Statewide Audit Advisory Committee Chair

Cc: Statewide Audit Advisory Committee Members
Leadership of Agencies with an Internal Audit Function
Kevin Hayden, Legislative Administration
Ken Rocco, Legislative Fiscal Office

DAS

DEPARTMENT OF ADMINISTRATIVE SERVICES

Annual Report on Statewide Internal Audit Activities

Covering Fiscal Year 2012

December 18, 2012

Compiled by the Department of Administrative Services Internal Audit Section
Renee A. Klein, Chief Audit Executive
http://oregon.gov/DAS/IA/

CONTENTS

STATEWIDE INTERNAL AUDIT GOVERNANCE ATTRIBUTES 3

STRATEGIC DIRECTION FOR INTERNAL AUDIT 4

STATEWIDE AUDIT ADVISORY COMMITTEE 6
- FY 2012 SAAC Activities 6
- SPOTS Review 7

AGENCY INTERNAL AUDIT FUNCTION GOVERNANCE 8
- Audit Committees 8
- Reporting Structure 8
- Standards 8

SUMMARY OF INTERNAL AUDIT ACTIVITIES FOR FY 2012 9

STAFFING 11
- Turnover and Recruiting 11
- Professional Certifications and Advanced Degrees 11
- Professional Organizations 12

EXTERNAL REVIEWS 13

SUMMARY OF WORK PERFORMED IN FY 2012 14
- Audit Reports Issued 14
- Consulting & Other Value-Added Activities 18

ATTACHMENT A 24

STATEWIDE INTERNAL AUDIT GOVERNANCE ATTRIBUTES

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]

The value often derived from the internal audit function is in the birds eye perspective of an organization gained from an employee also embedded in and knowledgeable of an organization's business practices and operational culture. In addition to audit services, most internal auditors provide value-added consulting expertise in efficiency and compliance of business and operational processes and identification and assessment of risks.

ORS 184.360 dictates internal audit activities within state government be coordinated to promote effectiveness. DAS was directed to adopt rules setting standards and policies for internal audit functions within state government, which were established as OAR 125-700 Internal Auditing. Additionally, DAS is to annually submit a report to the Joint Legislative Audit Committee 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. In the absence of the Joint Legislative Audit Committee the report shall be submitted to the Joint Committee on Ways and Means or the Emergency Board.

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: [2]

- Produce risk assessments of their agencies in accordance with nationally recognized audit standards (for FY 2012 81 percent of agencies required to have a function completed this requirement);
- Use its risk assessment as the basis for the selection and performance of at least one internal audit per calendar year (for FY 2012 53 percent of agencies required to have a function completed this requirement); and
- Audit a component of its governance and risk management processes at least once every five years and file a report with DAS (for FY 2012 twelve agencies reported performing an audit of a governance or risk management topic).

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.

[1] International Professional Practices Framework issued January 2011
[2] House Bill 3139

STRATEGIC DIRECTION FOR INTERNAL AUDIT

As part of the FY 2011 Annual Statewide Internal Audit Activity report, the following list of planned future focus for the state's internal audit function was presented. Italicized language represents work performed towards objectives during FY 2012.

1. DAS and Statewide Audit Advisory Committee (SAAC) should continue to oversee and report on statewide compliance with Oregon Revised Statute (ORS) 184.360, Oregon Administrative Rule (OAR) 125-700 and professionally recognized auditing standards.

   DAS continues to oversee and report on statewide compliance with ORS 184.360. This report is part of that compliance. Information included in this report is reported to DAS by agencies annually. The report is reviewed and approved by SAAC prior to submittal to the Legislative Assembly.

2. The state's internal audit community should work with the state's Enterprise Leadership Team[3] (ELT) to develop a process to identify significant, statewide (enterprise wide) risks that should be addressed at the statewide level. Additionally, DAS should sponsor enterprise audits on the significant risks.

   Agency Chief Audit Executives (CAE) met in a one-day work session to brainstorm and develop a list of enterprise risks affecting the business functions across state government. This list was shared with the ELT and agency Administrative Business Services Directors. Based on competing business priorities in agencies, a decision was made by leadership not to resource an enterprise audit at this time – but instead to focus on an approach to shared delivery of internal audit services across state agency boundaries. The results of the list of enterprise risks were shared with the individual agencies that have an opportunity to incorporate it into their plans.

3. DAS should work with state agencies to create a collaborative model of pooled auditors to provide internal audit services to agencies without an internal audit function. Additionally, these services could be used when the State's Chief Operating Officer (COO) or ELT identifies a significant risk in an agency that is not being addressed.

   A proposal document was created and presented to the Improving Government Steering Committee and is currently under consideration. The proposal includes four options for structuring internal audit in state government and seeks for the most effective manner of utilizing current resources across the enterprise. The document is included as part of this report as Appendix A.

4. DAS should collect and report information to assist the State's COO, SAAC, ELT, and the Legislature in monitoring the results of audits to determine if state agencies are making progress in addressing risks.

   A list of audit work performed by agencies is included as part of this report. In FY2013, the SAAC will engage in a planning discussion about how to increase the impact of this information in the monitoring of agency progress against identified risks.

[3] The Enterprise Leadership Team (ELT) is a cabinet level group of 20-25 agency Directors formed to work collaboratively with the state's COO on enterprise management.

5. The state's internal audit community, through the support of DAS, SAAC, and ELT should continue to market the value of the internal audit function to state government, highlighting the importance of internal auditing as one governance tool within the overall governance structure of their organization. DAS should sponsor training for relevant audiences that will help accomplish this goal.

   Agency CAEs meet quarterly to discuss internal auditing within the state. The CAE workgroup met to develop service delivery options for internal audit services across state agency boundaries, and engaged their agency leadership in a dialogue in consideration of the proposals.

   Additionally, many agencies have representatives on the local board of the Institute of Internal Auditors. These board members help determine training events that will occur in Salem to further promote the profession of internal auditing. Members of SAAC, DAS Management and CAEs continue to market internal auditing as a value added activity to the state.

6. DAS should help foster the creation and maintenance of strong agency internal audit committees to continue to provide accountability and promote independence of the internal audit function.

   An Audit Committee handbook was developed by a SAAC/CAE Subcommittee and distributed to internal audit functions for review in FY 2012. In November 2012 it was finalized and is available online at: http://www.oregon.gov/DAS/IA/docs/Audit%20Committee%20Handbook.pdf In addition to the handbook training was conducted by the DAS CAE and members of this subcommittee for the local chapter of the Institute of Internal Auditors (IIA), as well as for two state agency audit committees. Training will continue to be available for any agency that requests it.

SAAC, with the support of DAS will continue to work with the state's internal audit community to further develop a complete strategic plan for internal audit in state government and develop plans to implement the strategies outlined above.

STATEWIDE AUDIT ADVISORY COMMITTEE

OAR 125-700-0120

The mission of SAAC is to promote the benefits of 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, 2012 SAAC's membership roster included:

Michael J. Jordan, Chair, DAS Director, and State Chief Operating Officer
Gary Blackmer, Director, Oregon Audits Division
Kingsley Click, Director, Judicial Department, (delegated to David Moon, Business and Fiscal Services Division Director)
Michael Freudenthal, Chief of Internal Review for the U.S. Army Corps of Engineers, Portland District, External Member (on active-duty for FY 12, returned FY 13)
Marlene Hartinger, CAE, Oregon Department of Transportation
Kim Johnsen, External Member, Portland General Electric
Theresa Masse, State Chief Information Security Officer, DAS
Ken Rocco, Director, Legislative Fiscal Office (delegated for FY12 to Laurie Byerly, Principal Legislative Analyst)
Jason Stanley, CAE, Public Employees Retirement System
Satish Upadhyay, Administrative Services Division Chief, Oregon Department of Forestry
Marc Williams, Administrative Services Division Administrator, Oregon Department of Justice
Pamela J. Stroebel, CAE, DAS (Ex-Officio)

FY 2012 SAAC Activities

The objective of the Committee during FY 2012 was to define and assess the effectiveness of internal audit in State Government by:

1) Developing a Statewide Strategic Plan for Internal Audit;
2) Enhancing the relationship with agency Audit Committees; and
3) Developing the role of internal audit within Enterprise Risk Management (ERM).

Work was done toward the first two of these objectives as described in the strategic direction for Internal Audit Section (see Appendix A). Although agency internal auditors continue to promote ERM practices within state agencies, currently there is not capacity at the statewide level to promote a full ERM function. This objective is revised for FY 2013 to promote the role of internal audit around ERM. The Committee continues to support Internal Audit's promotion and review of state agency ERM practices.

The Committee will continue to work on these high-level objectives for FY 2013. Additionally, the Committee will continue its efforts related to:

- Compiling best practices and potential statewide issues from the annual internal audit activity reporting for continuing discussions with the internal audit community;
- Continuing to review issues around recruitment and retention of internal auditors in state government as well as structuring of the internal audit function statewide; and
- Continuing outreach to support and enhance the state's internal audit community.

SPOTS Review

In FY 2010 the state's internal audit community formed a partnership with the Atkinson Graduate School of Management at Willamette University to allow students taking a Fraud and Controls course to perform Small Purchase Order Transaction System (SPOTS) review work at agencies. The project provides students professional experience and introduces them to career opportunities in internal audit. It also provided required compliance review work at a low cost to state agencies and some audit capacity for agencies without an internal audit function; as well as the opportunity for networking and for internal auditors to gain supervisory experience.

In FY 2012 the following agencies participated and received a completed SPOTS audit project from a student in the class:

- Department of Administrative Services
- Department of Agriculture
- Department of Community Colleges and Workforce Development
- Department of Consumer and Business Services
- Oregon Department of Education
- Department of Fish and Wildlife
- Oregon Military Department
- Oregon Parks and Recreation Department
- Public Employees Retirement System
- Department of Revenue
- Department of State Lands
- Oregon Public Utility Commission

Other agencies also performed a SPOTS review or audit but did not participate in the partnership with Willamette University; those audits are listed in the Audit Reports Issued table on page 15 of this report.

AGENCY INTERNAL AUDIT FUNCTION GOVERNANCE

OAR 125-700-0135, 125-700-150

Audit Committees

Each agency required to have an internal audit function 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.

Of the 32 agencies that meet criteria for having an internal audit function, 29 (or 90 percent) reported having an established audit committee with an approved charter. Twenty of these agency committees have at least one member external to the organization, eight are chaired by an external member, and membership of two committees is fully comprised of external representatives. Audit Committee sizes range from three to thirteen members and meeting frequency is generally quarterly (five reported meeting less frequently; five meet more frequently; two committees meet as needed and one is not currently meeting).

Reporting Structure

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 the agencies that reported to have a Chief Audit Executive or equivalent position, including contractor, 31 reported that they report to the Director or Deputy Director level position within the Agency, and had full access to the audit committee.

Standards

Of the 32 agencies that meet the criteria for having an internal audit function, 26 (or 81 percent) follow *International Standards for the Professional Practice of Internal Auditing* issued by the IIA. Two follow *Generally Accepted Government Auditing Standards* promulgated by the United States Government Accountability Office. One agency did not report this information. Two agencies who satisfy the requirement for an internal audit function with a contractor specified S*tandards for Consulting Services* established by the American Institute of Certified Public Accountants as the standards used by the contractor. 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 2012

OAR 125-700-0125

Thirty-two 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). DAS received annual activity reports from all agencies required to have a function.

Of the agencies required to have an internal audit function, 24 have an established internal audit function with formal internal audit duties assigned to audit staff. There are two functions that share internal auditors across more than one agency though both agencies meet the requirements to have a function. Information on audit functions contained in the table below is as of June 30, 2012.

Agency	Total IA Staff	Number of Staff Vacancies	Annual Risk Assessment	Next External Review
Administrative Services	2[1]		Yes	2016
Consumer and Business Services	1	1	Yes	2015
Department of Corrections	3		Yes	2015
Department of Education / Community Colleges and Workforce Development	1		No[2]	2017
Department of Forestry	1	1	No[2]	2013
Department of Justice	1		Yes	2012
Department of Revenue	2[1]		Yes	2015
Department of State Lands	1		Yes	2012
Department of Transportation	6	1	Yes	2014
Dept. of Human Services / Oregon Health Authority	8	2	Yes	2016
Employment Department	2		Yes	2017
Judicial Department	1		Yes	2016
Oregon Department of Energy	1	1	No[2]	2015
Oregon Housing and Community Services	1		Yes	2017
Oregon Lottery	4	2	Yes	2015
Oregon Military Department	1		Yes	2015
Oregon State Treasury	2		Yes	2012
Oregon University System	11	2	Yes	2016
Oregon Youth Authority	1	1	Yes	2016
Parks and Recreation	1[1]		Yes	2014
Public Employees Retirement System	3		Yes	2015
State Police	1		Yes	2013
Total	55	11		

[1] In addition to regular FTE, had a developmental or intern position for at least part of the fiscal year.
[2] Positions were vacant all fiscal year; or vacant until June 2012.

The remaining eight agencies are currently attempting to fulfill OAR requirements through alternate methods as denoted in the following table (Note: these agencies do not have to fulfill the external review requirement):

Agency	**Method of OAR Compliance**	**Annual Risk Assessment**
Agriculture (ODA)	ODA has recently signed a Memorandum of Agreement with Oregon Department of Fish and Wildlife and the Oregon Department of Forestry to collaborate and share one budgeted FTE within Forestry for internal audit staffing.	No
Oregon Business Development Department	Internal Audit Services are contracted out.	Yes
Department of Environmental Quality (DEQ)	A contractor and other staff within DEQ were utilized for internal audit services (.25 FTE)	Yes
Department of Fish and Wildlife (ODFW)	ODFW has recently signed a Memorandum of Agreement with ODA and the Oregon Department of Forestry to collaborate and share one budgeted FTE within Forestry for internal audit staffing.	No
Oregon Liquor Control Commission	Audit services are accessed by either contracting or employing qualified individuals on a part-time basis. (.25 FTE)	Yes
Public Utility Commission of Oregon	Utilizing other staff (.2 FTE).	Yes
Oregon Student Access Commission	Internal Audit Services are contracted out.	Yes
Oregon Department of Veterans' Affairs	Planning to Outsource (vacant since 2010).	No

STAFFING

Turnover and Recruiting

Of the 24 agencies with at least some portion of staff dedicated to the internal audit function during FY 2012, eight (34 percent) of the agencies had open internal audit positions at the end of the FY.

FY 2012 Staffing and Funding Issues by Agency:
Department of Energy (ODOE) 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. ODOE had two failed recruitments to fill the internal auditor position. ODOE changed the recruitment to a full-time Quality Assurance Services Coordinator and was able to fill the position in June 2012. In July of 2012, ODOE entered into an inter-agency agreement for a part-time (20 hours per week) Internal Auditor 2 with DAS. This position will be in-place for FY 2013. The Internal Auditor 2 position will be completing an agency risk assessment, develop an audit plan, and provide audit services based off the audit plan as time allows. Other consulting engagements will also be done on an as needed basis during FY 2013.

The Department of Community Colleges and Workforce Development (CCWD) and **The Department of Education** (ODE) successfully recruited for one joint Internal Auditor position in FY 2012. The individual began work on June 20, 2012. This single shared auditor will cover both agencies, reporting to the State Board of Education and CCWD. ODE received funding for this position for the 2011-13 biennium.

The Department of Forestry has held a position vacant since November of 2010 due to a budget shortfall. The agency attempted to recruit for this position in July of 2012 in a joint effort with **the Departments of Fish and Wildlife and the Department of Agriculture** but the recruitment was unsuccessful. Another attempt to fill the position will be made in November 2012. This single auditor will cover all three agencies with the potential for some additional outsourcing.

Professional Certifications and Advanced Degrees

Of the 24 agencies who reported having some staff or staff time dedicated to the internal audit function during FY 2012, 22 (91 percent) 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 employees hold these designated professional certifications:

	FY 2011	**FY 2012**
Certified Public Accountant (CPA)	43 percent	43 percent
Certified Internal Auditor (CIA)	34 percent	40 percent
Certified Information Systems Auditor (CISA)	19 percent	25 percent
Certified Government Audit Professional (CGAP)	15 percent	14 percent
Certified Fraud Examiners (CFE)	13 percent	14 percent
Certificate in Public Management (CPM)	4 percent	3 percent

Additionally two internal auditors in state government are Certified Investment Derivative Auditors.

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

	FY 2011	**FY 2012**
Masters in Business Administration (MBA)	21 percent	25 percent
Masters in Public Administration (MPA)	11 percent	10 percent

Additionally one internal auditor in state government held a Masters Degree in Public Policy.

Professional Organizations

Nearly all agencies reported that internal audit staff are members of the IIA. Auditors (or staff who perform audit services) from the Department's of Administrative Services, Corrections, Human Services, Lottery, Transportation, Oregon Youth Authority and Oregon University System served on the Salem Chapter Board of the IIA during FY 2012.

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, Oregon Public Performance Management Association, Association of Certified Fraud Examiners, Government Finance Officers Association, Information Systems Audit and Control Association, Association of Government Accountants, and Association of College and University Auditors.

EXTERNAL REVIEWS

125-700-0145

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.

For those agencies that follow The IIA's issued standards, the Quality Assurance framework provides a system for rating conformity to those standards which consists of three categories: generally conforms, partially conforms, and does not conform.

- **Generally conforms** means that an internal audit activity has a charter, policies, and processes that are judged to be in accordance with the *Standards* in all material respects, but some opportunities for improvement may exist.

- **Partially conforms** means that practices were noted that are judged to deviate from the *Standards*, but they did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.

- **Does not conform** means that deficiencies in practices were judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

The agencies below submitted an External Review report in FY 2012; all received a ranking of Generally Conforms:

- Department of Administrative Services
- Employment Department
- Oregon Department of Transportation
- Oregon Youth Authority

A reciprocal agreement between agencies was created so that Internal Auditors could review other function's work to meet the external quality assurance requirements. This agreement allows internal audit functions to meet the intent of the standards without having to pay a contractor for this work to be performed. Agencies that participated on review teams are as follows:

- Public Employees Retirement System
- Department of Human Services/Oregon Health Authority

The IIA's *International Professional Practices Framework* requires the CAE to develop and maintain a quality assurance and improvement program which must also include internal assessments of all aspects of the internal audit activity. The following agencies completed internal reviews during FY 2012: Justice, State Lands, Transportation, Housing and Community Services, and Treasury.

SUMMARY OF WORK PERFORMED IN FY 2012

125-700-0130

Audit Reports Issued

Legend for Audit Report Risk Rankings Column:

Low: Overall materiality and/or impact of reported audit findings to operations are low. Management appears to be exercising reasonable oversight of the function or program.

Medium: Overall materiality and/or impact of reported audit findings to operations are moderate. Management has opportunities to improve its oversight.

High: Overall materiality and/or impact of reported audit findings to operations are high. Management should take action.

Note: 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	12-01a Facilities Division Lacked Key Controls in Contracting Process for Integrated Software	3/19/2012	High
	12-01b Lessons Learned from Poorly Defined Contract Deliverables	6/5/2012	High
	12-01 Contract Administration Reviews (Mill Creek, Employees Working as Contractors, State Data Center, Enterprise Information Strategy and Policy Division, Information Resource Requests)	Various Throughout FY 2012	Low
	12-03 Efficiency Improvement Opportunities Found at Facilities Key Card and Lock Shops	11/22/2012	Medium
Community Colleges and Workforce Development	Review of Commissioner's Financial Transactions for the period July 1, 2010 to June 30, 2011	6/14/2012	Low
Consumer and Business Services	Irrevocable Standby Letters of Credit - Workers' Compensation Division	10/10/2011	Medium
Department of Corrections	Dept. of Public Safety Standards and Training SPOTS Audit	3/8/2012	Low
	Personal Vehicle Mileage Reimbursement Audit	2/29/2012	Low
	Inmate Work Opportunities Audit	2/29/2012	Medium
	Institution Business Practices	2/15/2012	Medium
	Dept. of Corrections SPOTS Audit	9/29/2011	Low
	Agency Risk & Liability	10/26/2011	High
	Contracting Practices	9/22/2011	Medium
Department of Environmental Quality	SPOTS Audit, Transaction Testing	11/2/2011	Low
	5-year Rule Review	12/18/2011	Low
Department of Justice	Trial Division Fund, Audit Report 2012-001	5/30/2012	High
Department of Revenue	Physical Security	12/5/2011	Medium
	FY2010 SPOTS Review	9/29/2011	Low
	Suspense Process Review	6/11/2012	High
	Bend Field Office Visit	12/8/2011	Low
	Coos Bay Satellite Field Office Visit	12/15/2011	Low
	Newport Satellite Field Office Visit	12/15/2011	Low
	Pendleton Satellite Field Office Visit	12/15/2011	Low

Agency Name	Audit Report Name	Date Issued	Audit Report Risk
	Portland Field Office Visit	12/15/2011	Low
	Payment Voucher Creator	11/11/2011	High
Department of Transportation	Information Asset Classification	5/31/2012	Medium
	Fiscal Year 2011 SPOTS	9/15/2011	Low
	Workforce Development Program	8/5/2011	Medium
Dept. of Human Services / Oregon Health Authority	09-005 Temporary Assistance for Needy Families Work Verification Plan	11/1/2011	Not Ranked
	10-001 Branch Audit #1 (Children, Adults and Families)	2/15/2012	Not Ranked
	10-008-01 Seniors and People with Disabilities Internal Controls - Contracting	8/5/2011	Not Ranked
	10-008-02 Seniors and People with Disabilities Internal Controls - Provider Payment Processing	11/9/2011	Not Ranked
	10-008-03 Seniors and People with Disabilities Internal Controls - Provider Qualifications	12/9/2011	Not Ranked
	10-008-04 Seniors and People with Disabilities Internal Controls - Client Eligibility	4/5/2012	Not Ranked
	11-001 Contract Delegation	10/5/2011	Not Ranked
	11-002 Key Performance Measures FY 2011	6/5/2012	Not Ranked
	11-003 Small Purchase Order Transaction System 2011	4/18/2012	Low
	11-004 Critical Incident Response Team - Child Protective Services Domestic Violence Review	12/9/2011	Not Ranked
Employment Department	IT Supplemental Budget Request Process - Efficiency & Effectiveness	4/16/2012	High
	Business and Employment Services Communication - Effectiveness & Efficiency	6/5/2012	Medium
	Inter-Agency Data Access - Confidentiality & Data Security	2/1/2012	Medium
	SPOTS	9/1/2011	Low
	Key Performance Measure Review	12/1/2011	Low
	OMB Circular A-133 Review	4/4/2012	Low
Judicial Department	2011-6 Change of Trial Court Administrator 15th Judicial District	9/30/2011	Not Ranked
	2011-7 Change of Human Resources Services Division Director	9/13/2011	Not Ranked
	2011-8 State or Oregon Law Library - Change of Administrator	9/14/2011	Not Ranked
	2011-5 Change of Trial Court Administrator 12th Judicial District	12/6/2011	Not Ranked
	2011-10 Change of Trial Court Administrator 1st Judicial District	12/16/2011	Not Ranked
	2011-11 Change of Trial Court Administrator 5th Judicial District	1/11/2012	Not Ranked
	2011-9 Court Facilities Security Account	2/22/2012	Not Ranked
	2011-2 Union County Circuit Court Cash Handling	4/12/2012	Not Ranked

Agency Name	Audit Report Name	Date Issued	Audit Report Risk
	Audit Advisory Memo - Cash Handling	4/26/2012	Not Ranked
Oregon Business Development Department	Program Alignment Audit	6/29/2012	Low
Oregon Housing and Community Services	Accountability for Time Worked	3/12/2012	Medium
Oregon Liquor Control Commission	Small Order Purchase Transaction System Audit for 2011	3/20/2012	Low
	Information Technology Division Assurance Review	6/30/2012	High
Oregon Lottery	Scratch-its Lifecycle	9/23/2011	High
	Information Technology Governance	1/27/2012	High
	Procurement Planning and Contract Development	2/24/2012	High
	Enterprise Project Management	4/12/2012	High
	Marketing and Advertising Campaigns	4/27/2012	Medium
Oregon State Treasury	Infra Internal Control and Application Review	2/29/2012	Medium
	ISO 27001/ISMS GAP Assessment	6/21/2012	Low
Oregon Student Access Commission	Information Assets Program Review	6/29/2012	Medium/High
Oregon University System	Vice Provost Travel	8/18/2011	High
	Extended Studies	8/18/2011	High
	Student Housing Residents	9/9/2011	Medium
	JPR (Jefferson Public Radio)	9/22/2011	High
	Vice Provost Travel Controls	9/22/2011	Medium
	Law School IT Equip Controls	11/22/2011	Low
	Information Technology General Controls Follow-Up	12/13/2011	Medium
	Purchasing & Stores Operations	12/21/2011	High
	Fiscal Policy Update FASOM Section 08.04D	1/10/2012	Medium
	Veterinary Teaching Hospital	1/31/2012	High
	NCAA Football Attendance Certification - OSU	2/13/2012	Low
	NCAA Football Attendance Certification - UO	2/13/2012	Low
	Psychology Department Research	4/30/2012	Low
	International Affairs	4/30/2012	Medium
	Center for Student Health & Counseling	4/30/2012	Medium
Public Employees Retirement System	SPOTS Audit	7/22/2011	Low
	Benefit Calculations	9/30/2011	Medium
	Withdrawals	10/31/2011	Medium
	Business Continuity Planning	10/31/2011	Medium
	PERS Health Insurance Program	3/22/2012	High
Public Utility Commission	Rose Lodge	5/15/2012	Low
State Police	Audit Report No. 2012 - 01 Fleet Audit	10/18/2011	Medium

Agency Name	Audit Report Name	Date Issued	Audit Report Risk
	Audit Report No. 2012 - 02 SPOTS	6/6/2012	Low
	Audit Report No. 2012 - 03 LEDS-CSS-ISS Audit	5/29/2012	Medium

Consulting & Other Value-Added 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. Internal Audit functions also added value and assisted management in making improvements to the operations and performance of the agency's programs. Internal auditors generally serve as a liaison for all Secretary of State Audits Division work being performed in their agency. In many cases internal auditors also perform liaison duties for federal and other external audits as well. Consulting activities and other value-added activities performed in FY 2012 are as follows:

Agency	Consulting & Other-Value Added Activity
Administrative Services	Web Usage Review
	Email Archiving Review
	State Procurement Office Flash Drive Review
	Facilities Cash Handling Review
	Mobile Communication Device Review
	State Data Center Business Continuity Plan Review
	Reviewed Updated Internal Travel Policy
	Reviewed Legal Signature Requirements
	Regularly provide training for various levels of agency employees and management on topics including ethics, risk management, and internal controls.
	Internal Audit Staff attend various levels of management meetings to provide input including Executive Team, Information Technology Governance Council, Supervisors and Managers.
	Chief Audit Executive (CAE) provided professional training to auditors outside the agency including global and local chapters of the Institute of Internal Auditors, Portland Chapter of Certified Fraud Examiners, and the Department of Environmental Quality; topics included Enterprise Risk Management and audit committee best practices.
	CAE served as Ex-Officio member of Risk Management Advisory Council and Friend of the Committee on Performance Excellence.
	CAE facilitates Statewide Audit Advisory Committee and co-facilitates Chief Audit Executive Advisory Council.
	CAE serves on the Institute of Internal Auditors Global Academic Relations Committee.
	CAE taught Entrepreneurial Management training for agency personnel.
	CAE was a guest speaker at Willamette University student association.
	CAE served on interview panel for Department of Energy.
Consumer and Business Services	Management Letter: Verification of training value
	Advice on Preferred Worker Program automated process improvement resulting in coordination to obtain financial access, promoting efficiency.
	Follow-up on the status of monitoring the Local Government Surcharge Collections
	Consultation/coordination of information regarding information security breach.
	Several reviews and consultations regarding travel policy and expense calculation methodology.
	Multiple consultation/advice opportunities regarding contractor invoices, payments, and overpayments.

Agency	Consulting & Other-Value Added Activity
Department of Corrections	Conducted Cost of Care investigations.
	Provided guidance on application of the Oregon Ethics Law on a number of occasions.
	Guidance on Personal Mileage Reimbursement Rule change.
	Guidance of fund raising activities
	Assisted in fraud investigations
	Facilitate collection of performance metrics for reporting
	Guidance on model to improve performance measures
	Explore Public Safety Shared Service Model
	Assist Agency on fraud investigations
Department of Environmental Quality	Informed and developed some risk evaluations for DEQ's Outcome Based Management System.
Department of Fish and Wildlife	Director's Transactions Annual Review
	Assisted with annual ISBRA reporting
	Travel Expense Review
	Selected Salary Procedures Review
Department of Forestry	Conducted a review of the State Forester's leave and travel expenses; results were presented to the State Board of Forestry.
	Provided training on fraud, waste and abuse to agency staff as part of our Professional Standards training.
Department of Justice	Child Support System Modernization Project Risks
	Comments on Draft Policies (various)
	Consulting on Internal Controls/Segregation of Duties in Financial Services
	Consulting on Reporting to Committee on Performance Excellence
	Advice on Impact of Proposed Efficiency
	Audit Requirements for Federal Grant Program under OMB Circular A-133
	Presentation on Risk Assessment, Risk Analysis and Risk Management to Division Management
	Employee Fundraising Controls
	Consulting on Annual SPOTS Program Compliance Review
	Consulting on Cash Handling Safeguards
Department of Revenue	Annual Enterprise Risk Assessment Facilitation
	Trained developmental audit staff
	Assisted with annual ISBRA reporting
	Updates to Policies & Procedures (various)
	Secretary of State CAFR Audit-Liaison
	Nonvoting Member of Information Security Policies Committee
	Nonvoting Member of Business Continuity Committee
	Nonvoting Member of Security Team Committee
	Nonvoting Member of CPA Liaison Committee
	Nonvoting Member of Joint Field Banking Committee
	Core Systems Replacement
	Member of Ethics Policy & Procedure Update Committee
	Secretary of State Audit Case Selection Audit-Liaison

Agency	Consulting & Other-Value Added Activity
Department of State Lands	Consulting on procedure for tracking accounts receivable.
	Consulting on revisions to chart of accounts for Estate Program.
	Consulting on risk management and insurance coverage for industrial, residential and commercial real-estate management.
	Consulting on risk management and security procedures appropriate for mail processing.
	Coordinate communication and responses for risk management claims, incidents and citizen complaints.
	Act as the Department's wellness coordinator.
	Maintain the Department's risk management incident and claims tracking data.
	Complete the Department's 2012 DAS Risk Management Survey and Property Report.
Department of Transportation	Columbia River Crossing audit coordination with Washington DOT internal audits
	Review of Columbia River Crossing invoices in coordination with Washington DOT internal audits
	Construction Quality Assurance survey work
	On-going follow-up on completed audit reports and reviews
	Facilitation of Enterprise Risk Management activities for Executive Staff
	Consultation to Public Transit
	Consultation to Motor Carrier regarding sensitive inventory
	Consultation on OMB Circulars A 87 & A133
	Participation in external peer reviews of other states' department of transportations
	Chair of Peer Review Panel for the American Association of State and Highway Transportation Officials' Subcommittee on Internal/ External Audit
	CAE serves on SAAC
Dept. of Human Services / Oregon Health Authority	11-101 Multnomah County Children, Adults and Families Benefit Issuance Review
	11-102 Eastern Oregon Training Center Medicaid Cost Settlement Report FY 2009 (Financial Review)
	11-103 Eastern Oregon Training Center Medicaid Cost Settlement Report FY 2010 (Financial Review)
	12-101 Oregon State Hospital Medicaid Cost Settlement Report FY 2011 (Financial Review)
	12-102 Blue Mountain Recovery Center Medicaid Cost Settlement Report FY 2011 (Financial Review)
	Coordinated follow-up efforts on prior audit and review findings;
	Provided support to other program areas on four contracted audits;
	Presented as part of department management training efforts; and
	Participated in Shared Services Information Services Committee.
Employment Department	Blackberry Use (justify need & appropriate use)
	Address Cross-Match (detect possible fraud or abuse)
Oregon Department of Energy	ODOE participated in a self-risk assessment as requested by DAS Risk Management.
Judicial Department	Presented audit results and risks at statewide Trial Court Administrator meetings
	Consulted and coordinated on internal employee investigations

Agency	Consulting & Other-Value Added Activity
	Liaison with Department of Administrative Services on survey responses
	Provided advice and recommendations on various internal control questions from Circuit Courts and Office of State Court Administrator Divisions
	Provided consultation and advice on procurement practices
	Reviewed and provided input on several draft policies
	Implemented a Financial Fraud Reporting Hotline and developed procedures to help ensure that all necessary parties are informed and care is given to the development of an independent and objective investigation plan
	Provided a management letter to improve the process around jury payments.
Oregon Liquor Control Commission	Liquor Pricing Study: Impact of Washington's Initiative 1183
	Impact of Initiative 1183 on Oregon Liquor Sales
	Impact of Oregon Distilleries on Annual Sales Revenue
	Criteria for Risk-Based Licensing and Enforcement
	Improving Data Integrity and Reporting of Violations
	Annual Trends in Enforcement and Licensing by Region
	Liquor Store Relocation Using GIS
	CAE serves as Information Security Officer, provides Information Security Training, chairs OLCC's Incident Response Team and serves as point of contact for State Incident Response Team.
Oregon Lottery	Consulted during Phase I of the Lottery Transformation, Efficiency, Accountability Management System implementation. Provided guidance on metrics and performance measures, participated in brainstorming exercises, provided consultation on the development of core processes and measures, facilitated and mentored a book group.
	Consulted during the contracted effort to evaluate the impact of advertising on sales. Provided feedback on vendor proposals, participated in brainstorming sessions, provided questions for the contractors to consider, evaluated final work product and made suggestions for improvements.
	Consulted on position description for new IT Governance Manager position. Provided feedback on the suitability of language in primary duties and minimum qualifications.
	Consulted on potential gaps related to the Retailer Recruitment initiative. Provided feedback on strategies, questions and talking points to be presented at Executive Team.
	Consulted regarding return on investment evaluations for a Scratch-its bin dispenser replacement project. Provided insight as to the ROI calculations, costs to consider, and overall profitability.
	Consulted on the reasonableness and adequacy of internal controls of the 2012 Retailer Survey Prize Procedures.
	ERP User Access Review – The Lottery recently implemented a new ERP system. The Lottery CFO requested Internal Audit to review the security controls over the ERP System to ensure that that Lottery employees' permissions within the ERP System were appropriately assigned based upon the employees' role and responsibilities.
	Assisted Lottery Information Technology Department in completing DAS Enterprise Security Office (ESO) information security "self-assessment" survey. DAS ESO required all state agencies to complete the survey by May 11, 2012.
	Reviewed and provided feedback on Raffle drawing and witness procedures.

Agency	Consulting & Other-Value Added Activity
	Participated on the first level interview panels for the IT Governance Manager position, and the Management System Program Coordinator position.
	Provided information to Research Department on risks related to changing payout percentages for Video Lottery games, as well as potential impacts on transfers & commissions.
	Provided feedback on policy and procedure development for contract administration and delegation of purchasing authority.
	Participated on quarterly Retail Operations sales meetings
	Participated on the marketing mix modeling presentation
	HR Payroll System Implementation Information Sharing – The Lottery contracted with an external vendor (a "Cloud" service provider) to provide payroll processing services for the Lottery. Internal Audit provided information regarding potential risks and controls with regards to Cloud Computing services to HR and IT Management.
	Business Continuity Leading Practice Information Sharing – Internal Audit provided information on the recently released leading practice – ISO 22301 Business Continuity Management Standard and suggested that IT Department consider adopting the new ISO standard.
Oregon State Treasury	Internal Audit staff attend various levels of management meetings to provide input
	Performed a site visit to Treasury's custodial bank
Oregon University System	Consulted with system and campus personnel on various policy issues and system design
	Consulted and followed up on campus data security breaches
	Administered the Financial Concerns Hotline
	Presented internal control sessions to campuses
	Provided orientations to new finance committee members and key personnel
	Participated in professional association leadership. Including the Association of College and University Auditors - Board Member at Large
Parks and Recreation	Management Review of the Oregon State Fair
	Loss Prevention Program at the Oregon State Fair
	Facilitation of System Reviews
	Development of a Fraud, Waste, and Abuse Policy including a reporting mechanism
	Training on Fraud, Waste, and Abuse
	Bates Park Construction Contracting and Project Management Risk Report
	Development of an Audit Manual.
	Development of an MBA internship program with students from Willamette University
Public Employees Retirement System	Data Verification Consulting Engagement
	Reviewed concerns over certain financial transactions
	Annually reviews expenses of the agency Director
	CAE attends Executive Team and Management Team meetings
	CAE serves on SAAC
	CAE serves on Audit Committee for METRO
	CAE serves as Information Security Officer and coordinates the Information Security Board meetings

Agency	Consulting & Other-Value Added Activity
	Served as agency coordinators of 2011 Charitable Fund Drive
Public Utility Commission of Oregon	Monthly (approximately) Brown-Bag presentations relating to items identified on FY10 Risk Assessment to broaden staff knowledge base related to risk within the agency.
State Police	Coordination of OSP Agency Risk Self Assessment submitted to DAS
	Gap analysis of OSP policy
	Gross Payroll - Separation of duties
	K9 Kennels
	Public Safety Agencies - Efficiencies and Cost Savings discussion & analysis

ATTACHMENT A

Statewide Internal Audit Coverage Options (as presented August 2012)

Oregon Administrative Rule (OAR) 125-700-0125 outlines criteria that dictate which executive branch agencies are required to have an internal audit function. Currently, Oregon state government has approximately 55 internal audit positions spread out across 20 agencies. Thirty[4] agencies are required to have a function per the OAR, but 10 of those agencies do not have internal audit staff. A few of the 10 agencies meet the OAR by contracting for internal audit services or assigning internal audit responsibilities to other staff; the remaining are out of compliance. With more than 90 agencies in the state, a significant portion of the state's operations currently receive no internal audit coverage or assistance.

Internal audit provides assurance and consulting services that assist agency management in dealing with the challenges of day-to-day operations as well as providing insights on ways to meet an agency's short- and long-term objectives. Examples of the benefits and services an internal audit function provides are:

- ✓ Evaluation of risk mitigation strategies over critical compliance, financial, operational, and strategic risks that may impact reputation.
- ✓ Review of process and design structures to provide assurances over asset protection, avoid fines and penalties, support financial integrity, as well as foster efficient, effective, and ethical operations.
- ✓ Examination of the governance process to ensure it promotes organizational design and reporting structures that foster support and accountability.

This year, the State's Chief Operating Officer (COO) has asked the internal audit community to create potential solutions to meet the following objective*: provide effective, value-added internal audit services adequately across the State of Oregon Enterprise.* The Department of Administrative Services (DAS) Chief Audit Executive (CAE) led several group discussions with the internal audit community and some of its key stakeholders to identify risks to the internal audit function in the state, as well as identify solutions to meet the COO's objective. One of the major risks facing the internal audit function in the state is that of sustainability – over the past several years agencies have experienced reduced funding and smaller qualified candidate pools. This document provides four potential solutions to address these various concerns, as outlined on the continuum below:

Enforcement of OAR 125-700-0125	Maintain Existing Internal Audit Structures with Outcome Area Coordination	Create Internal Audit Structure Based on Outcome Areas	A Fully Centralized Internal Audit Function

It is important to note that as outlined, the continuum above may best be viewed as a phased approach, which could involve components of more than one option. Any option chosen will need an implementation plan, will need careful budgeting considerations, and should include pilot and testing opportunities to provide lessons learned to ensure future success. The internal audit community, as supported by DAS and the Statewide Audit Advisory Committee (SAAC) recognizes there may not be a one-size-fits-all approach to shaping the internal audit function. Each option outlined above is further described in the attached table.

[4] When this document was prepared the Department of Human Services and Oregon Health Authority were counted as one agency and Oregon Military Department was not included in total.

	Option 1 Enforcement of OAR 125-700-0125	Option 2 Maintain Existing Internal Audit Structures w/ Outcome Area Coordination	Option 3 Create Internal Audit Reporting Structures Based on Outcome Area	Option 4 A Fully Centralized Internal Audit Function
Description	Enforce the current OAR which requires agencies meeting certain thresholds to maintain an internal audit function or contract for those services. There is currently no enforcement to ensure agencies comply.	The current Internal Audit structure is maintained. Audit coverage is enhanced by forming a CAE Council for each of the six Outcome Areas. A lead CAE will work with the council to collaborate with agencies in the Outcome area that do not have Internal Audit resources.	A single CAE would be designated for each of the six Outcome Areas. Internal Audit staff at each agency in the Outcome Area would report to the CAE rather than to management within their own agency. Staff could be assigned to perform audits at other agencies in the Outcome Area. An alternative is to align this by current agency program 'family' i.e. Natural Resources or Public Safety.	All internal audit functions would move under one governing body, such as DAS or the Improving Government Outcome Area. All services would be directed by a single Statewide CAE and Audit Committee.
Audit Coverage	Limited to agencies that are required to have an Internal Audit function per OAR language. A potential alternative is to create of pool of auditors to provide services under a shared client services model.	Internal audit coverage for agencies with an existing internal audit function would remain the responsibility of the individual internal audit units. Additional coverage for programs within the Outcome Area that do not have an internal audit function would be facilitated by the CAE Council, however, it would be the responsibility of the agency to obtain the resources needed to conduct the audit.	Internal audit functions would work together to cover all programs tied to each outcome area. The CAE would manage audit resources within the cluster to ensure adequate coverage. While audit staff would still be located at their current agencies, they may be assigned to perform audits at other agencies within the Outcome Area.	The Internal Audit function would provide statewide audit coverage, similar to how the Secretary of State Audits Division provides coverage.
Audit Committees	Each agency has its own Audit Committee.	Each agency has its own Audit Committee, which could include management from other agencies within the Outcome Area for better coordination.	Audit Committee would be at the Outcome Area level, with representatives from each agency with a major program in the Outcome Area. The committee would be chaired by a representative from the main component of the Outcome Area. Additional external membership would still be encouraged.	One central Audit Committee for the state would oversee the Internal Audit function.
Risk Assessment	Conducted at the agency level.	Agencies with an IA function would still conduct a risk assessment at the agency level. The CAE Council would additionally facilitate a risk assessment for programs in the same Outcome Area that do not have an IA function.	Conducted at the Outcome Area cluster level.	Conducted for the state as a whole.

	Option 1 Enforcement of OAR 125-700-0125	Option 2 Maintain Existing Internal Audit Structures w/ Outcome Area Coordination	Option 3 Create Internal Audit Reporting Structures Based on Outcome Area	Option 4 A Fully Centralized Internal Audit Function
PROS	• Simplest solution to implement. • Does not affect agencies that are currently following the rule.	• Coverage is created for agencies within each outcome area that currently do not have an internal audit function. • Independence and objectivity of individual internal auditors could be easier to meet and maintain.	• Better interaction and coverage of the entire outcome area. • More opportunity to develop less experienced auditors through the utilization of teams and increased supervisor/ mentor relationships; helps meet supervisor to staff ratio. • Helps auditors follow standards better by creating opportunities for Quality Control procedures. • Ensures a minimum level of internal audit services even when staff leave positions. • Increases efficiencies by lowering the total number of internal audit committee in state government and creates greater independence through 'external' membership on committees. • Generates the opportunity to share technical expertise (such as information technology auditing) across agencies.	• May provide better coverage with more available audit hours. • Would allow for better training of inexperienced staff. • May allow for auditors within the audit pool to specialize (i.e. auditors can gain Information Technology audit expertise and be shared across all agencies.) • May allow for alignment of audit coverage by enterprise priorities more easily.
CONS	• Coverage extends only to those agencies that meet the criteria of the rule (mainly large agencies). • Continues to leave all other executive branch agencies without internal audit coverage. • Funding would have to be established for agencies that meet the OAR requirement but is not currently in compliance. • May require OAR change. • Forced internal audit coverage may struggle to maintain trust and be effective within the agency.	• Funding issues, especially for agencies that have dedicated funds/grants; an assessment basis for funding would likely need to be established. • It may be difficult to prioritize and determine audit risks for agencies that do not have a dedicated internal audit function. • It may be difficult for agencies to determine which program outcome area to align internal audit resources with, especially those with many large programs that cross outcome areas. • Doesn't address sustainability risk to IA function.	• Difficulty coordinating funding of functions as they move to shared activities outside their home agency. • Does not align with the existing governance structure of state agencies. • Scope of internal audits could become large and difficult to manage, potentially lowering efficiency and effectiveness. • Further moves the internal audit function away from established agency boundaries which could be perceived by management as the loss of their internal auditor. • Penalizes agencies currently complying with the OAR; some audit functions have staff other than internal auditors. • Lose expertise internal auditors embedded within an agency have as well as consulting opportunities and may lower rapport with management. Could reduce effectiveness of external audit liaison relationship. • Some risks without commonality may not rise to high enough level to get audit coverage.	• Agencies lose individualized internal audit functions and could experience reduced effectiveness to consulting activities based on expertise within the agency as well as external audit liaison. • May appear to create another Secretary of State Audits Division function; becoming more of an 'external' audit function rather than 'internal'. • Some agencies with staffed IA functions would see less coverage. • Penalizes agencies currently complying with the OAR. • Once done could be difficult to undo without significant consequences. • Some program and agency specific risks may not rise to high enough level to get audit coverage. • Agencies could end up duplicating the function internally eliminating any personnel savings.