

**2009 Regular Legislative Session**  
**FISCAL ANALYSIS OF PROPOSED LEGISLATION**  
**Prepared by the Oregon Legislative Fiscal Office**

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**MEASURE NUMBER:** HB 3139                      **STATUS:** A Engrossed  
**SUBJECT:** Internal audit reporting requirements for agencies  
**GOVERNMENT UNIT AFFECTED:** All State agencies required to have an internal audit function  
**PREPARED BY:** John Terpening  
**REVIEWED BY:** Laurie Byerly and Daron Hill  
**DATE:** May 15, 2009

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**EXPENDITURES:**

See Analysis

**EFFECTIVE DATE:** January 1, 2010

**LOCAL GOVERNMENT MANDATE:** This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**ANALYSIS:** The measure requires each state agency of the executive department that is required to have an internal audit function, to produce a risk assessment of the entire agency. The risk assessment must conform to nationally recognized audit standards. The risk assessment is to be used as a basis for at least one internal audit per calendar year. The measure also requires agencies to audit a component of their governance and risk management processes at least once every five years and file a report with the Department of Administrative Services. The risk assessments and internal audits outlined by the measure are to be filed with the Secretary of State.

Oregon Administrative Rule 125-700-0020 states that agencies are required to have an internal audit function if the agency has total biennial expenditures exceeding \$100 million, or the number of full-time equivalent employees exceeds 400, or the dollar value of cash items received and processed annual exceeds \$10 million. Agencies that meet the criteria must establish, maintain, and fully support a full-time internal audit function, or get permission to have part-time or contractor internal audit functions. The internal audit functions must be established within existing agency resources.

Oregon Administrative Rule 125-700-0025 outlines the requirements for agencies internal auditing standards to comply with nationally recognized audit standards.

The measure puts into statute requirements currently in Oregon Administrative Rule. The measure has no fiscal impact on agencies that already have established full-time internal audit functions. For agencies that contract internal audit functions or agencies that have field operations spread across the state, there may be a minimal impact for increased contract hours or travel.