



Annual Report on Statewide Internal Audit Activities

Fiscal Year 2017

Issued January 24, 2018

Compiled by the Department of Administrative Services Internal Audit Section

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Introduction

Oregon Revised Statute (ORS) 184.360 directs the Department of Administrative Services (DAS) to coordinate internal audit activities within the state to promote effectiveness. DAS has adopted rules setting standards and policies for internal audit functions within state government, which may be found in Oregon Administrative Rule (OAR) 125-700 "Internal Auditing." Additionally, ORS 184.360 requires DAS to submit an annual report to the Joint Legislative Audit Committee (JLAC) that describes internal audit activities that have occurred in state government during the year. The following report serves to meet that requirement by providing information on state agency internal audit functions during fiscal year (FY) 2017.

In order to coordinate internal audit activities within the state, DAS supports the Chief Audit Executive Council (CAEC). The CAEC serves as a collaborative group with the intent of sharing information to help promote coordination of internal audit activities and to advise the Office of the Chief Operating Officer (COO) on internal audit related business needs and challenges between state agencies and DAS.

In October 2013, a formal charter was drafted by the CAEC to document a purpose for the committee, including language to coordinate internal audit activities on the statewide level and look for ways to promote effectiveness. This charter was formally approved at the CAEC's January 2014 meeting. As part of the charter, the Chief Financial Officer with DAS and the Audits Division Director of the Secretary of State Office are both invited to attend meetings of the CAEC to help ensure a statewide focus.

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."

Source: The International Professional Practices Framework (IPPF) 2017 Edition, published by the IIA Research Foundation

2017 Updates

In accordance with the CAEC charter to rotate leadership regularly, starting July 1, 2018, the leadership in the CAEC will change. The current Chair from OED will step down with the Vice-Chair from DOR stepping into the role as Chair. A new Vice-Chair will be elected in by membership.

Statewide Internal Audit Governance Overview

Internal Auditing Requirements

OAR 125-700-0125

Twenty nine Oregon state agencies reported meeting the criteria in OAR 125-700-0020 requiring an internal audit function or contract equivalent. These criteria include biennial expenditures that exceed \$100 million; number of full time equivalent (FTE) employees exceeds 400; or dollar value of cash items processed annually exceeds \$10 million. Of the agencies required to have an internal audit function, 20 have an established internal audit function with formal internal audit duties assigned to audit staff. The remaining ten agencies fulfill the internal audit requirement using methods outlined in Table 2 (page 6).

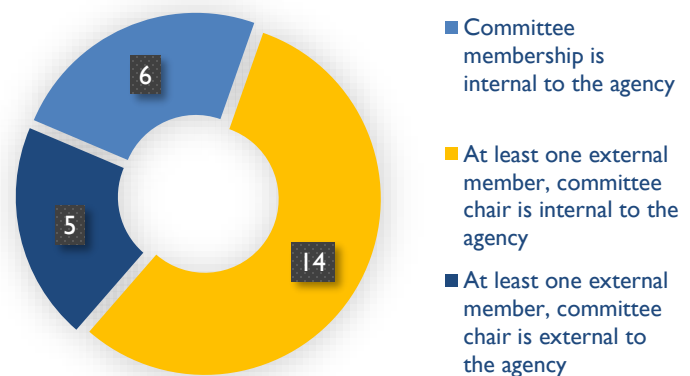
Several state agencies made arrangements to share internal audit functions. The audit function for the Oregon Department of Human Services and Oregon Health Authority is a shared service that serves both agencies. For this report, these agencies are counted as one. The Departments of Administrative Services, Consumer and Business Services, and Revenue have completed four years of a collaborative pilot program that allows each agency to individually maintain internal audit functions while sharing resources to audit risks that are similar across all three agencies. Strengths identified in this relationship include: feedback from other auditors, access to specialized audit skills, increased ability to fulfill auditing standard requirements, and additional independence.

Agency Internal Audit Function Governance

OAR 125-700-0135

Each agency that meets the requirement to establish and support an internal audit function or contract equivalent is also required to establish and maintain an audit committee. The audit committee provides functional oversight of the internal audit function and helps to ensure the internal audit function's independence. Agencies are encouraged to include qualified external 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. Figure 1 illustrates the composition of 25 state agency internal audit committees.

Figure 1: Audit Committee Composition



The internal audit functions shared across more than one agency (mentioned in “Internal Auditing Requirements” above) report to shared audit committees, comprised of members from all participating agencies.

Summary of Internal Audit Functions for FY 2017

ORS 184.360, OARs 125-700-0140 and 125-700-0145

Table 1 summarizes statewide internal audit staffing levels reported by agencies **as of June 30, 2017**, along with elements of agency requirements from OAR 125-700. Several agencies scheduled for external reviews in Table 1 for calendar year 2017 will report their external review results in the *FY 2018 Annual Report on Statewide Internal Audit Activities*. A guide to agency abbreviations is in Appendix 1 on page 19 of this report.

Table 1: Summary of Internal Audit Functions for FY 2017

Agency	IA Staff	IA Staff Vacancies	Risk Assessment Completed†	Risk Based Audit During FY 2017	Governance and Risk Management Process Audit every 5 years‡	Next External Review
DAS	0	1	FY 2017	N	Y	2017*
DCBS	1	-	FY 2017	N	Y	2017*
DHS/OHA	6	2	FY 2017	Y	Y	2021
DOC	2	-	FY 2017	Y	Y	2020
ODF	1	-	FY 2017	N	Y	2018
DOJ	-	1	FY 2015	Y	Y	-
DOR	2	-	FY 2017	Y	Y	2020
ODE	1	-	FY 2016	Y	Y	2019
ODA	-	-	FY 2017	N	N	-
ODOE	1	-	FY 2016	N	N	2019
ODFW	1	-	FY 2017	Y	Y	-
ODOT	6	-	FY 2016	Y	Y	2017*
OPRD	1	-	FY 2017	Y	Y	2020
OED	1	-	FY 2017	Y	Y	2017*
OJD	0	1	FY 2016	Y	Y	2021
OSL	3	-	FY 2017	Y	Y	2020
OSP	1	-	FY 2017	Y	Y	2018
OYA	1	-	FY 2017	Y	Y	2018
PERS	4	-	FY 2017	Y	Y	2021
Total	32	5				

* External reviews may have been scheduled or completed after June 30, 2017, but before the reporting deadline of September 30, 2017 or the end of the calendar year. Please see page 18 for more information about this requirement.

† Risk assessments may have been completed after June 30, 2016, but before the reporting deadline of September 30, 2017 or the end of the calendar year.

‡ Per ORS 184.360 (5), an audit of governance and risk management functions must occur at least once every five years.

The remaining ten agencies are currently fulfilling OAR internal audit requirements through alternate methods denoted in Table 2. The following agencies are not required to fulfill the external review requirement of OAR 125-700-0145; that responsibility falls on the contracted auditing entity, per professional auditing standards. A guide to agency abbreviations may be found in Appendix 1 on page 19 of this report.

Table 2: Other Agency Internal Audit Arrangements

Agency	Method	Risk Assessment Completed†	Risk Based Audit During FY 2017	Governance and Risk Management Process Audit every 5 years‡
BIZ	Internal audit services are contracted out.	FY 2016	Y	Y
DEQ	A contractor and other staff within DEQ were utilized for internal audit services (.25 FTE).	FY 2012	N	Y
DSL	In FY 2017 DSL utilized a Willamette University MBA candidate to perform an internal audit (see page 12).	FY 2013	Y	Y
HECC	The agency was not funded for an internal audit position at its creation and is fulfilling audit requirements by other means.	FY 2014 (as OSAC)	N	Y (as OSAC)
OHCS	Agency has been granted an exemption to OAR 125-700 requirements until June 30, 2019.	FY 2012	N	Y
OLCC	Internal audit services are contracted out.	FY 2017	N	Y
OMD	Internal audit services are contracted out.	FY 2017	Y	Y
OST	Agency fulfilling auditing requirement by other means.	FY 2016	Y	Y
PUC	Agency fulfilling auditing requirement by other means.	FY 2011	Y	Y
ODVA	Internal Audit Services are contracted out.	FY 2017	Y	Y

† Risk assessments may have been completed after June 30, 2017, but before the reporting deadline of September 30, 2017 or the end of the calendar year.

‡ Per ORS 184.360 (5), an audit of governance and risk management functions must occur at least once every five years.

Internal Audit Function Staffing

Professional Certifications and Advanced Degrees

Of the 34 staff dedicated to an internal audit function at the close of FY 2017, 27 (79 percent) reported a professional designation or an advanced degree, and many staff members hold more than one. Table 3 demonstrates the composition of designated professional certifications held by internal audit staff. In addition to these levels of expertise attained, the following certifications all require some level of continuing education to be maintained by internal audit staff.

In addition to the certifications listed in Table 3, members of the auditing community also hold degrees in Business Administration, Public Administration, Public Policy, Management, and other advanced degrees.

Table 3: Professional Certifications of Internal Audit Staff*

Certification Type	FY 2015	FY 2016	FY 2017
Certified Public Accountant (CPA)	30%	30%	32%
Certified Internal Auditor (CIA)	32%	38%	44%
Certified Information Systems Auditor (CISA)	16%	18%	12%
Certified Government Audit Professional (CGAP)	11%	13%	15%
Certified Fraud Examiner (CFE)	16%	18%	15%
Certified in Risk Management Assurance (CRMA)	8%	10%	9%

*In past reports, this table has reported a mixture of staffing from agencies with and without an internal audit function. Beginning in FY 2016, the DAS Internal Audit Section chose to report only the data from agencies with a staffed internal audit function (page 5, Table 1). FY 2015 information reflects this change in methodology.

Professional Organizations

Of the 34 staff dedicated to an internal audit function at the close of FY 2017, 33 (97 percent) reported membership with the Institute of Internal Auditors (IIA). Internal audit staff from the Department of Energy, Department of Human Services/Oregon Health Authority, Department of Revenue, Department of Fish and Wildlife, Parks and Recreation Department, and Department of Transportation served on the Salem Chapter Board of the IIA during FY 2017. Additionally a staff member from the Department of Corrections serves as a volunteer for the Board.

Other professional organizations that internal auditors in Oregon state government participate in include: Oregon Society of Certified Public Accountants, American Institute of Certified Public Accountants, Association of Certified Fraud Examiners, Government Finance Officers Association, and the Information Systems Audit and Control Association.

Summary of Internal Audit Activity for FY 2017

OAR 125-700-0140

Audit Reports Issued

Table 4 describes audit work performed during FY 2017 in accordance with auditing standards that resulted in a report or letter to management.

Legend for Audit Report Risk Rankings:



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



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

Note: Auditors are not required by auditing standards, ORS, or OAR to provide risk rankings for audit reports.

Table 4: Audit Reports and Management Letters issued in FY 2017

Agency Name	Audit Report Name	Date Issued	Audit Report Risk
BIZ	Comprehensive Annual Financial Report FY2016	12/23/2016	Low
	Special Public Works Fund and Water Fund, Enterprise Funds Annual Financial Report	3/15/2017	Low
	Statewide Single Audit Report FY 2016	3/15/2017	Medium
	Limited Review of Fiscal Operations of the Oregon Arts Commission	4/20/2017	Medium
	Secretary of State Performance Audit	12/20/2016	Medium
DEQ	SPOTS Card Audit	1/23/2017	Medium
	NPDES Permitting Program Review	11/30/2016	High
	Laboratory Internal Audit	7/31/2017	Low
DHS/OHA	Contract Delegation Review	4/25/2017	Low
	Internal Fraud Detection	9/30/2016	Medium
	Child Care Screenings and Investigations-GUTD	11/14/2016	High
	Internal Payroll audit-Military Leave	12/16/2016	Low
	Staff Safety II	3/2/2017	Medium
	Oregon Home Care Commission/SPOTS	3/9/2017	High
	Program Delivery & Use of Investigation Results-GUTD	6/29/2017	High

Agency Name	Audit Report Name	Date Issued	Audit Report Risk
DOC	Professional Development and Training	7/1/2016	Medium
	Ethics Governance	1/10/2017	Medium
	Fire Crew Deployment	2/22/2017	Medium
	Emergency Bed Management	4/20/2017	Medium
	Warehouse Operations	4/24/2017	Medium
	P-Card (SPOTS) Review	6/12/2017	Low
DOJ	Grant Management Practices	6/26/2017	Medium
DOR	Annual Separation Testing	12/28/2016	Low
	Performance Management Audit	6/1/2016	High
	Returned Mail Process Review	2/22/2017	Medium
	Payroll Consultation	3/10/2017	Medium
ODA	Annual Risk Assessment	9/28/2017	Low
	Secretary of State Audit, Improved Management Practices, Use of Resources Could Help Food Safety Program Achieve its Mission	11/1/2016	Medium
ODE	Audit of Accounts Payable Vendor Master File Controls	2/28/2017	Low
	follow-up-plus audit: Human Resources Employee Recruiting	1/23/2017	Low
	Annual SPOTS card audit	6/2/2017	Low
	OR Ethics Hotline investigation	3/17/2017	Low
	OR Ethics Hotline investigation	6/7/2017	Low
ODFW	Agency Credit Card Audit	5/11/2017	High
ODOT	ConnectOregon Project Monitoring Supports Project Completion and Protects Program Funds	3/3/2017	Medium
	Road Usage Charge Program – Additional Steps Needed to Assure Mileage and Fuel Data Accuracy	5/10/2017	Medium
	DBE Program Shows Progress, Needed Improvements Remain	6/22/2017	Medium
	Railroad Gross Revenue Fee Expenditures Appropriate and in Accordance with Statute	3/3/2017	Low
ODVA	Risk Assessment - Veterans' Home Program	1/18/2017	Low
	Audit of Key Performance Metrics	5/5/2017	Low
OED	Management of Supplemental Budget Requests: Audit;	9/13/2016	High
	Offboarding Process: Audit	6/6/2017	High
OJD	Court Audit - Lincoln	10/19/2017	Medium
	Central Services Internal Controls	10/19/2017	Medium

Agency Name	Audit Report Name	Date Issued	Audit Report Risk
OJD (cont'd)	Accounting and Cash Handling – Lane Circuit Court	10/19/2017	Medium
	Accounting and Cash Handling – Lincoln Circuit Court	10/19/2017	Medium
	Follow Up Audits – revisited status of prior audit findings	10/19/2017	Medium
	Change of TCA – 7th Judicial District (Hood River, Wasco, Sherman, Gilliam, Wheeler)	10/19/2017	Medium
	Court Audit – 5th Judicial District (Clackamas)	10/19/2017	Medium
OLCC	2017 Risk Assessment	2/8/2017	High
OMD	OMD 17-01 FY 2017 Risk Assessment and Audit Plan	9/27/2016	Medium
	OMD 16-05 Financial Administration of Cooperative Agreements Internal Audit Report	12/29/2016	Medium
	OMD 17-03 Small Procurements Review - Office of Emergency Management	6/30/2017	Medium
	OMD 17-04 Follow-up Audit - Billeting, Camp Rilea	6/30/2017	High
OPRD	Follow-up Audit	6/12/2017	High
	SPOTS Review	6/12/2017	Medium
	CAPRA Standards/Internal Controls	6/17/2017	High
	Flexible Fee Forecasting	6/12/2017	Medium
OSL	Employee Training and Development	8/16/2016	Medium
	Compliance Review of GLI Contracts for Quality Assurance and Program Management Services	9/20/2016	Medium
	Ineligible Claimant Tracking and Monitoring	9/22/2016	Medium
	Annual Follow-Up Review of Open Audit Recommendations	11/3/2016	Medium
	Review of Lottery's Risk Management Practices Related to Workplace Injuries and Damage Claims	1/10/2017	Medium
OSP	Tow Program Audit	12/31/2016	Medium
	Strategic Roadmap Audit	5/31/2017	Low
	Consulting - Office of Professional Standards	3/16/2017	Low
OYA	Behavioral health services contracts	12/19/2016	High
	Internal Audit quality self-assessment	6/30/2017	Low
PERS	IT Follow-Up Audit	8/24/2016	High
	Benefit Calculations 2017	9/26/2016	Low
	Benefit Equalization Fund	10/20/2016	High

Agency Name	Audit Report Name	Date Issued	Audit Report Risk
PERS (cont'd)	Employer Data	10/31/2016	Low
	Cost Allocation	12/29/2016	Medium
	Work Out of Class and Reclassifications	3/17/2017	Medium
	IT Staffing	6/1/2017	High
	Divorce Administration	6/1/2017	Medium
PUC	Travel Expense and Reimbursement Audit	5/12/2017	Low

Partnership with Willamette University's Atkinson Graduate School of Management.

Since 2010, the State of Oregon's internal audit community has maintained a partnership with the Atkinson Graduate School of Management at Willamette University, which allows students taking an Auditing course to perform a limited scope compliance review at participating state agencies under the oversight of state internal auditors. The project provides students professional experience and introduces them to career opportunities in internal auditing. The partnership also helps facilitate compliance review work at a low cost to state agencies, offers opportunities for networking for the students, and supervisory experience for many internal auditors.

In FY 2017, the following agencies participated and received a completed review project from a Willamette student:

- Department of Public Safety Standards and Training
- Department of Corrections
- Department of Consumer and Business Services
- Department of Education
- Department of Fish and Wildlife
- Department of Veterans Affairs
- Oregon State Fair and Exposition Center
- Oregon Military Department
- Parks and Recreation Department
- Public Utility Commission
- Landscape Contractors Board
- Oregon Board of Massage Therapists

Review topics completed in 2017 included follow-up on prior issued audit reports, procurement, risk assessment, travel, contract administration, Small Purchase Order Transaction System (SPOTS) cards, key performance measures, and financial process reviews.

Additionally, auditors and staff at the Oregon Departments of Education, Corrections, Parks and Recreation Department, and Department of Human Services provided oversight and supervision to students performing the review at an agency without an internal auditor.

Other Value-Added Activities

Table 5 represents activities provided by auditors within or external to their agency leadership, including professional activities, audit related value-added activities not directly related to audits or consulting engagements. For example, these activities might include participation on a committee, participation in statewide activities, or acting as a liaison with external auditors.

Table 5: Other Value-Added Activities in FY 2017

Agency	Other Value Added Activity
DEQ	Member of the audit team for The NELAC Institute program evaluation of the Kansas laboratory accreditation program (Spring 2017)
DHS/OHA	Coordinated agency risk assessment activities
	Helped facilitate 12 separate Secretary of State, Audits Division, external reviews (including the Statewide Financial and Compliance reviews of nine major programs)
	Assisted in coordination of SOS Hotline inquiries
	Helped facilitate seven federal reviews
	Provided support on a contracted IT review
	Provided metric information for Quarterly Business Reviews
	Coordinated follow-up efforts on prior audit findings
	Participated in Licensing and Safety Review Committee
	Participated in Shared Services Information Services Management Committee
	Participated in Medicaid Program Integrity Committee
	Participated in workgroup to review provider solvency
DOC	Cost of Care Reviews
	Change of Deputy Director Review
	Provided guidance on the application of the Oregon Government Ethics law
	Liaison for external audit activities/Secretary of State Audits Division
	Consulting activities as needed for agency management
	Correctional Outcomes through Research and Engagement (CORE) Participation
	Membership on the Chief Audit Executive Council
	Membership on the Leadership Team
	Coordinated agency risk assessment activities
	Completed follow up activities
	Chief Audit Executive serves on ODF audit committee
	Staff member serves on IIA Salem Chapter Social Committee, helping to organize events for chapter members
	Participation on interview panels
DOR	Membership Chair for the IIA Salem Chapter.
	Vice-Chair of the Chief Audit Executive (CAE) Council.
	CAE is pursuing a Certification in Risk Management Assurance (CRMA).
	Internal Auditor II is pursuing a certification in internal auditing (CIA).

Agency	Other Value Added Activity
DOR (cont'd)	Internal Auditor II has been trained to be an Ascent Leader/Mentor.
	DOR Information Security Committee member.
	DOR Security Committee member.
	External audit liaison.
	ODFW Audit Committee member.
	CAE is pursuing training in External Quality Assurance Review services.
ODA	Conduct Payment Card Industry (PCI) Self-Assessment Questionnaire (SAQ) to self-evaluate and attest agency compliance to the PCI Data Security Standard.
	Implement updates to online license renewal system to further improve efficiencies in processing license renewal fee payments.
	Continued to work with staff and stakeholders toward finalizing the agency strategic plan, which will be used in developing short and long-term tactics and to drive agency business processes.
	Earned ISO Accreditation for the Laboratory, enhancing quality assurance, standardizing lab processes and providing greater transparency, increasing efficiency, and focusing on performance measuring and continuous improvement.
ODE	Various consultations to ODE management and staff.
ODF	Member of State CAE Council and participated in meetings.
	Active member of the Agency's Executive and Leadership Teams
	Primary liaison with external auditors
ODFW	External Audit Liaison
	Oregon Employment Department Audit Committee
	Marion County Compensation Board
	City of Salem Budget Committee
	Board Member, Institute of Internal Auditors Salem Oregon Chapter
	Chief Audit Executive Council
ODOT	CAE served as Vice Chair of the American Association of State and Highway Transportation Officials (AASHTO) Audit Subcommittee Board of Directors
	CAE served on the Audit Committee of the Oregon Department of Human Services
	CAE served on the Audit Committee of the Oregon Department of Justice
	CAE served as member of the Chief Audit Executive Council
	Led peer review of the Minnesota Department of Transportation Office of Audits
	Provided input to the U.S. Comptroller General's Advisory Council on Government Auditing Standards on proposed revisions to the Government Auditing Standards
	Staff member served as Communications Chair for the Salem, Oregon Chapter of the Institute of Internal Auditors (IIA)
	Consulted with State Radio Project staff on program closeout
	Provided input to the Oregon Department of Administrative Services on proposed revisions to the Oregon Accounting Manual

Agency	Other Value Added Activity
ODOT (cont'd)	Conducted a review of selected processes at the Oregon Department of Aviation
	Completed a focused review of purchasing practices for a Region 1 Maintenance District
	Consulted with the Oregon Driver & Motor Vehicle Services Division on a contract close out
	Provided input to ConnectOregon staff on proposed agreement language related to allowable costs
	Assisted ConnectOregon staff with reviewing invoices for a project
	Provided invoice review segment for monthly Fiscal and Procurement Responsibilities classes
	Conducted regular follow ups on completed audits
OED	Conducted a quarterly Address Cross Match review and reported findings to the Unemployment Insurance Division.
	Attended monthly Federal Tax Information/Corrective Action Plan : Safeguards Security Report Update Meetings.
	Attended and Chaired the quarterly Chief Audit Executive Committee Meetings.
	Conducted the annual Trade Act Independent Data Validation Review and provide a follow up report to the Federally Mandated Program Manager.
	Attended as a member the monthly Institute of Internal Audit Salem Chapter meetings.
	Conducted and reviewed a monthly fraud report generated through the Employment Department's Business Intelligence tool for the Unemployment Insurance Division.
	Attended as a consultant Unemployment Insurance Records Retention Meetings.
	Updated Policy and Procedures for Internal Audit.
	Was the primary liaison on all external audits.
OJD	Secretary of State Audit Liaison – Foster Care Audit
	Secretary of State Audit Liaison – Traffic school impact to Criminal Fine Account
	Secretary of State Audit Liaison – Financial Statewide Audit
	Assisted HRSD in a review of employee purchases
	Reviewed an audit report and working papers for the Oregon Youth Authority internal auditor
	Provided advice on internal control and segregation of duties activities in several circuit courts and divisions
	Provided comments on various draft policies
OMD	Performed follow-up work on open findings from previously issued audit reports.
OPRD	Institute of Internal Auditors board support
	Leadership Team coordination
	Inclusion Committee member

Agency	Other Value Added Activity
OSL	IA provided consulting advice to agency personnel regarding interpretation of Lottery's Ethics Policy.
	IA participated as an independent observer for Raffle Drawings.
	Internal Audit Manager served as liaison for audits conducted by the Oregon Secretary of State Audits Division.
	IA provided feedback on various agency draft policies.
	IA staff participated on an external QAR of another state lottery Internal Audit department.
OSP	Liaison with Secretary of State during CJIS audit
	Participated in Chief Audit Executive Council meetings
OYA	Facilitated ongoing development of OYA's risk education, risk management awareness, and risk culture
	Facilitated OYA's annual risk assessment
	Facilitated and coordinated twenty-one external audits and reviews, including nine triennial reviews, conducted by local, state, and federal entities
	Coordinated Secretary of State Audits Division Government Fraud, Waste, and Abuse Hotline inquiries
	Attended quarterly OYA Advisory Committee and OYA Native American Advisory Committee meetings
	Routinely attended Juvenile Justice Information System (JJIS) Steering Committee meetings
	Routinely attended JJIS Data and Evaluation Subcommittee meetings
	Served as a nonvoting member of JJIS Modernization Subcommittee, providing project risk management consulting services
	Served as a nonvoting member or participant on several standing OYA committees and teams: Executive Cabinet, Policy Committee, Isolation Oversight Committee, Consolidation Project Team Oversight Committee, Joint Management Team, Information Security Group
	Served as an interview panel member for the selection of the Assistant Director of Business Services
	Participated as an active member of the Institute of Internal Auditors Salem Chapter
	Participated as an active member of the State of Oregon Chief Audit Executive Council, serving as the Council Vice-Chair
PERS	Staff have served on various interview panels throughout the agency.
	Staff have served on various problem solving and breakthrough groups.
	Manage external audit contracts and act as a liaison with external auditors.

Agency	Other Value Added Activity
PUC	<p>The Secretary of State is currently performing a Performance Audit of the Energy Trust of Oregon. The Oregon Public Utility Commission (PUC) oversees Energy Trust's investment of utility customer funds in energy-efficiency and renewable power programs. Through state legislation passed in 1999, the PUC was authorized to select a nonprofit organization to invest the majority of a "public purpose charge." Energy Trust was selected to receive and invest those funds in cost-effective energy efficiency, new renewable resources, and market transformation. Since then, the Energy Trust has diversified funding sources and the PUC oversees expenditures of all utility customer funds received by the Energy Trust. The grant agreement signed between Energy Trust and the PUC is the foundation to ensuring wise investments of utility customer funds. Continuous accountability to the PUC is demonstrated through:</p> <ul style="list-style-type: none"> • Quarterly and annual reports with financial statements. • Annual budgets and two-year action plans. • Obtain an unqualified financial audit opinion annually. • Annual minimum performance measures. • Strategic plans updated every five years. • Management reviews conducted every five years by a third party. • Details of public purpose charge expenditures to inform the biennial report submitted by the PUC to the state legislature. <p>A PUC commissioner also serves on our board of directors as an ex-officio, non-voting member, and PUC staff are members of advisory councils and select board committees.</p>
	<p>The PUC participated in the DAS Succession Planning Audit conducted by the Secretary of State to address workforce risks and challenges completed in September 2017. The audit reviewed succession planning within the Oregon executive branch to ensure workforce continuity and effectiveness, particularly in key leadership and technical functions.</p>
	<p>Several agency utility staff conduct audits and reviews of utility companies as part of their job duties. These are not internal audits, but demonstrate audit activity within the agency. -Northwest Natural Operational Audit completed March 7, 2017</p>

External Reviews

OAR 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* (IPPF) requires an external quality assurance review every five years; the United States Government Accountability Office's *Government Auditing Standards* requires an external peer review to be performed every three years. Of the 24 agencies that reported having an established audit committee, 22 (92 percent) follow the IPPF standards.

For the agencies that follow the IIA's issued standards, the IPPF 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.

For agencies that follow the United States Government Accountability Office's *Government Auditing Standards*, the peer review report must express a professional judgment of **pass**, **pass with deficiencies**, or **fail**.

For FY 2017, no agencies reported the results of an external review.

Note: Other agencies scheduled for external reviews in Table 1 (page 5) for calendar year 2017 may report their external review results in the FY 2018 Annual Report on Statewide Internal Audit Activities.



International Professional Practices Framework (IPPF) 2017 Edition, published by the Institute of Internal Auditors.



Government Auditing Standards, 2011 Revision, published by the U.S. Government Accountability Office (GAO). During FY 2017, the GAO sought public comment on a draft of the 2017 revision of the "Yellow Book."

Appendix I: Abbreviations

Abbreviation	State Agency or Committee Name	Page(s) Mentioned in Report
BIZ	Business Oregon	6, 8
CAEC	Chief Audit Executive Council	3, 12, 13, 15
DAS	Department of Administrative Services	3, 5, 7, 3, 17
DCBS	Department of Consumer and Business Services	5, 11
DEQ	Department of Environmental Quality	6, 8, 12
DHS	Department of Human Services	4, 5, 7, 8, 11, 12, 13
DOC	Department of Corrections	5, 7, 9, 11, 12
DOJ	Department of Justice	5, 9, 13
DOR	Department of Revenue	3, 5, 7, 9, 12, 13
DPSST	Department of Public Safety Standards and Training	11
DSL	Department of State Lands	6
HECC	Higher Education Coordinating Commission	6
JLAC	Joint Legislative Audit Committee	3
ODA	Oregon Department of Agriculture	5, 9, 13
ODE	Oregon Department of Education	5, 9, 11, 13
ODF	Department of Forestry	5, 12, 13
ODFW	Department of Fish and Wildlife	5, 7, 9, 11, 13
ODOE	Oregon Department of Energy	5
ODOT	Department of Transportation	5, 7, 9, 13, 14
ODVA	Oregon Department of Veterans' Affairs	6, 9
OED	Oregon Employment Department	3, 5, 9, 13, 14
OHA	Oregon Health Authority	4, 5, 7, 8, 12
OHCS	Oregon Housing and Community Services	6
OJD	Oregon Judicial Department	5, 9, 10, 14
OLCC	Oregon Liquor Control Commission	6, 10
OMD	Oregon Military Department	6, 10, 11, 14
OPRD	Oregon Parks and Recreation Department	5, 7, 10, 11, 14
OSAC	Oregon Student Access Commission	6
OSL	Oregon Lottery	5, 10, 15
OSP	Oregon State Police	5, 10, 15
OST	Oregon State Treasury	6
OYA	Oregon Youth Authority	5, 10, 14, 15
PERS	Public Employees Retirement System	5, 10, 11, 15
PUC	Public Utility Commission of Oregon	6, 11, 16