



Department of Administrative Services

Joint Legislative Audit Committee

February 25, 2021

Annual Report on Statewide Internal Audit Activities

Fiscal Year 2020

Role of Internal Auditor:

Guided by a professional set of standards and ethics, state internal audit functions add value by independently supporting informed decision-making and organizational efficiency and effectiveness.

COVID-19 Impact on Internal Audit Functions:

- Review and update risk assessment to include COVID-19 issues/risks.
- Learning virtual hosting platforms for meetings.
- Adapt to conducting virtual interviews and obtaining data.
- Adjustment to response timelines that impact completion of audits and risk assessments.
- New internal audit functions attempting to create a program from the ground up while working remotely.
- Tasked with additional COVID related responsibilities.

Update on New Funded Internal Audit Positions

- As reported last year, nine new positions were approved and funded during the FY2019-21 budget process. Of those the following agencies have successfully recruited and have a new IA function:
 - Higher Education Coordinating Commission (HECC)
 - Oregon Department of Veterans Affairs (ODVA)
 - Oregon Housing & Community Services (OHCS)
 - Oregon Military Department (OMD)
 - Business Oregon Development Department (OBDD)
- Department of Administrative Services (DAS) added one new position.

Update on New Funded Internal Audit Positions Cont.

- The three agencies have yet to fill their positions:
 - Oregon Liquor Control Commission (OLCC) – *recruitment process to begin shortly*
 - Department of Environmental Quality (DEQ) – *in recruitment process*
 - Department of Justice (DOJ)

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DAS
DEPARTMENT OF
ADMINISTRATIVE
SERVICES

Executive Summary

The executive summary provides a snapshot of data about internal audit functions within state agencies. Topics covered include:

- Audits and Consulting
- External Audit Liaison
- Quality Assurance Reviews
- Education
- Training
- Standards and Code of Ethics

The Value of Internal Auditors

- Provides independent and objective insight and assurance
- Enables transparency within an organization
- Serves as an essential part of an agency's leadership team
- Assists an agency in meeting its strategic goals and accomplishing its mission and vision
- Provides independent unbiased assessment of agency operations
- Provides continuous review of the effectiveness of risk management, control and governance processes
- Help an agency achieve its operational, financial and compliance objectives
- Understands the organization's business objectives and strategy and identifies risks and barriers to success

Risk Categories

- Compliance / Regulatory
- Control
- Customer
- Equity
- Financial
- Fraud
- Information Technology
- Operational
- Reporting
- Reputation / Political

External Audit Liaison

Internal auditors may facilitate agency reviews conducted by external audit teams. These include but are not limited to:

- Oregon Secretary of State
- U.S. Department of Agriculture
- Federal Bureau of Investigations
- Federal Emergency Management Agency
- Internal Revenue Service
- U.S. Department of Treasury
- U.S. Department of Labor
- U.S. Department of Justice

Oregon's Chief Audit Executive Council (CAEC)

The CAEC is a collaborative group with the intent of sharing information to promote effective internal audit resources within state government.

To assist DAS in its oversight role, the CAEC works on many projects during the year to guide and improve internal audit functions. Examples work completed by this group include:

- Creation and publication of an Internal Audit Committee Handbook and FAQ.
- A mentorship program that matches new auditors with an experienced Oregon agency Chief Audit Executive (CAE) mentor. Seven agencies have participated in this program.
- Development of six performance measures with the goal of having the data included in the FY2021 annual report.

Engagements



In FY 2020, 37 internal auditors within 20 agencies with established audit functions completed the following:

- 15 - risk assessments
- 49 - audits
- 23 - consulting engagements
- 5 - new audit committees established
- 13 - auditors reported specific work on COVID-19 projects

Audit Engagements

- Audit objectives may touch on performance, compliance, governance, costs, controls, information systems, management's responses to audit observations, or other areas.
- Internal auditors remain alert to the possibility of fraud during the course of their engagements and take steps to ensure reports are based on sufficient, appropriate audit evidence.
- If potential fraud is suspected to have occurred, internal auditors coordinate efforts with appropriate authorities, which may include law enforcement and the Secretary of State Audits Division.
- Internal auditors also conduct follow up with management on unresolved findings and recommendations.

Audit and Consulting Topic Categories

Typically audit topics fall into one of these categories:

1. Financial
2. Compliance
3. Performance
 - a. Including IT Audit Engagements.
4. Investigatory

A complete list of reported audit and consulting engagements performed by state agencies are listed in Appendix B and C at the end of the report.

Oregon Administrative Rule

Internal Auditing Requirements *(OAR 125-700-0125)*

1. In every agency that meets one or more of the criteria below, the agency head shall establish, maintain, and fully support of internal audit function or contract for the equivalent, within existing resources. During FY 2020, 34 agencies reported meeting the criteria; 20 agencies had an established in house internal audit unit.
 - a) Total biennial expenditures exceed \$100 million;
 - b) Number of full-time equivalent employees exceeds 400; or
 - c) Dollar value of cash and cash equivalent items received and processed annually exceeds \$10 million.



Questions?