



# Department of Administrative Services

Joint Legislative Audit Committee

February 6, 2023

Annual Report on Statewide Internal Audit Activities

Fiscal Year 2022

# 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.

# Annual Report on Statewide Internal Audit Activities Fiscal Year 2022



**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
- Helps 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
- Diversity, Equity, and Inclusion
- 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 of projects by this group include:

- Review and update of the Oregon Administrative Rule 125-700 that covers Internal Auditing.
- Creation of a tool to assist agencies in conducting a quality assessment of the function.



# Engagements



In FY 2022, 46 internal auditors within 24 agencies with established audit functions completed the following:

- 21 - risk assessments
- 48 - audits
- 37 - consulting engagements

# 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 C and D 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 an internal audit function or contract for the equivalent, within existing resources. The rule was reviewed and updated during the fiscal year. This criteria will be used to determine what agencies meet the requirements to have an internal audit function.
  - a. Total biennial expenditures exceed \$200 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 \$20 million as reflected in GL 3100;
  - d. Agencies that are being funded over 50% from accounts in “other funds” and/or “federal funds” reflected in the Legislative Adopted Budget.



Questions?