



UNIVERSITY OF OREGON

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# Office of Internal Audit Annual Report

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**Fiscal Year 2016**

*Report to the Board of Trustees of the University of Oregon  
Executive and Audit Committee*

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## SUMMARY OF ACTIVITIES

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During the second year of its existence, the Internal Audit function experienced significant setbacks due to unexpected turnover. As a result, some of the momentum gained during implementation was lost. The audit plan established for FY16 was not completed as efforts were reprioritized to focus on addressing hotline activity. In an effort to provide more stability for the audit function and the audit plan in the future, Internal Audit issued an RFP for a co-sourced service provider.

Looking forward to FY17, Internal Audit anticipates significant progress. Such developments include but are not limited to the hiring of additional Internal Auditors (2); selecting a partner for the co-source support model mentioned above; the procurement and implementation of audit management software; and evaluating audit office policies and procedures to ensure compliance with industry standards.

Information contained in this report summarizes the activity for year, including the final quarter. In future years, Internal Audit will explore the possibility of implementing a data analytics software tool that will increase efficiencies and targeted audit coverage.

If there are any questions regarding the content of this report, the chief auditor is available for discussion. Also, if there is any information that would be useful for the Committee to receive in future reports, feel free to contact her. Thank you for your work and your support of Internal Audit.

## FISCAL YEAR 16 IN REVIEW

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### Assurance Services

Internal Audit assurance activities include the following projects from the audit plan:

- Enterprise Risk Assessment of Information Technology (second quarter)\*
- NCAA Football Bowl Subdivision Attendance Certification (third quarter)
- A Review of Research Grant Management (third quarter)
- A Review of Purchasing Practices (estimated completion October 2016)
- Athletics Risk Assessment (estimated completion December 2016)

\*This work was performed directly by Baker Tilly, with internal audit participation.

### Investigative Services

In FY16, the Office of Internal Audit received 21 allegations through reports submitted through the anonymous reporting hotline; two of these were received in the fourth quarter. This level of hotline activity is considered normal and expected for an institution of our size. Internal Audit has completed

eight internal investigations based on these submitted reports; one was finalized in the fourth quarter. Internal Audit also worked in conjunction with other subject matter experts on campus to complete four. The remaining are in progress, with one being conducted in coordination with other subject matter experts on campus.

### **Consulting Services**

Internal Audit continues to reach out to the campus community in an effort to raise awareness of the function. Presentations were given across campus in FY16 to educate employees about the Internal Audit model, services provided, the audit process, and guidance for reporting fraud or other potential concerns. Training on internal controls, three lines of defense, risk, and fraud awareness were also provided.

The audit plan for FY16 also included participation on campus committees as well as consulting activities for specific areas undergoing policy and/or procedural changes. Internal Audit provided counsel and advice during periodic check-in meetings in these areas to add value and insight as management decisions were and continue to be made.

### **Risk Assessment and FY17 Audit Plan Development**

Internal Audit prepared a risk based audit plan for FY17. The process involved a review of the prior year audit plan, review of activities and actions of the Strategic Enterprise Risk Management Committee, interviews conducted by Internal Audit, and feedback from senior leadership.

### **External Audit Coordination**

Internal Audit is charged with coordinating and providing oversight for other control and monitoring functions, including external audit. Internal Audit meets with the external financial auditors periodically to discuss results of testing, progress, risks, and other issues as they relate to coordinating efforts to increase efficiency.

### **Administrative**

#### *Professional Development*

Professional standards require internal auditors to enhance knowledge, skills, and other competencies by obtaining continuing professional education (CPE). During FY16, Internal Audit staff participated in training opportunities provided by the Association of College and University Auditors (ACUA), the Pacific Northwest Higher Education Internal Auditors (PNHEIA), and the Institute of Internal Auditors (IIA).

#### *Website Development*

The Internal Audit website (<http://internalaudit.uoregon.edu>) has been completed and is accessible from the University homepage.

#### *Other*

As a result of the turnover, Internal Audit began to assess strategies for FY17. Additional work performed in FY16 included identifying goals for the coming year and building a foundation for achieving future goals. Processes, including surveying and benchmarking with peer institutions, were started in the closing months of FY16. As a result, much of the groundwork for FY17 goals was laid.

## **FISCAL YEAR 17 GOALS**

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### **Hiring**

Internal Audit is in the final stages of the hiring process and has identified two candidates to whom offers of employment will be extended in the coming days.

### **Audit Management Software**

Internal Audit is in the final stages of procuring audit management software. Once implemented, it is expected to increase the efficiency and productivity of the entire internal audit process, including risk assessment, scheduling, planning, execution, review, report generation, trend analysis, Committee reporting, and storage. As a result, Internal Audit anticipates spending less time documenting and reviewing, and more time providing value-added services.

### **Audit Office Policies and Procedures**

Current audit office policies and procedures are being evaluated against the IIA's framework to ensure compliance and identify gaps. This project will delineate basic principles that represent the practice of internal auditing, provide a framework for performing and promoting a broad range of value-added internal auditing, establish the basis for the evaluation of internal audit performance, and foster improved organizational processes and operations.

In order to increase the value of the internal audit function, it is essential to recruit and retain competent experienced staff and provide opportunities for them to develop professionally. In order to keep pace with industry practices, Internal Audit policies and procedures will include provisions for career progression and professional development efforts that lead to certifications.

### **Co-Sourcing**

The Office of Internal Audit has issued an RFP for a co-sourced service provider. The intent is for the provider to be available to support Internal Audit during periods of high volume or unexpected turnover. In addition to periodic services, the provider will be a resource for Internal Audit as efforts to maximize efficiencies and effectiveness continue. Proposals submitted by firms are currently being evaluated by the procurement committee and will be presented to the Committee for review and final approval.

### **Collaboration Efforts**

The university is an active member of ACUA which provides auditors valuable resources, training opportunities, best practices and professional collaboration with higher education auditors through annual conferences. Internal Audit also participates in quarterly meetings with chief audit executives from Oregon state agencies as a member of the Chief Audit Executive Council (CAEC). The CAEC exists to coordinate internal audit activities within state government to promote effectiveness. It serves as a collaborative group with the intent of sharing information to help promote coordination of internal audit activities primarily between state entities and the Department of Administrative Services. Although not specifically focused on higher education, membership on the committee provides valuable collaboration and brainstorming opportunities.

### **Quality Assurance Efforts**

Internal Audit can be a major contributor to the effectiveness of governance, risk management, and internal control processes. It is important for auditors to focus on areas of priority and risk, perform services effectively, and clearly communicate the results. Internal Audit activities should also be aligned with leadership's institutional goals in order to assist managers in meeting objectives.

In order to maximize effectiveness of the function, Internal Audit intends to utilize the audit management software, co-sourced service providers, collaborative partners, and professional development opportunities for constant monitoring and process improvement. All staff will be expected to explore opportunities to ensure quality services are delivered that add value to the University. The chief auditor will continue to review current processes and determine if there is adequate monitoring and periodic self-assessments to ensure quality assurance goals are achieved.