



February 22, 2017

TO: The Board of Trustees of the University of Oregon

FR: Angela Wilhelms, Secretary

RE: Notice of Executive and Audit Committee Meeting

The Executive and Audit Committee of the Board of Trustees of the University of Oregon will hold a public meeting on the date and at the location set forth below. Subjects of the meeting will include: the quarterly audit report and an update on Tier III investments.

The meeting will occur as follows:

**Thursday, March 2, 2017 at 9:00 am**  
Ford Alumni Center, Giustina Ballroom

The meeting will be webcast, with a link available at [www.trustees.uoregon.edu/meetings](http://www.trustees.uoregon.edu/meetings).

The Ford Alumni Center is located at 1720 East 13th Avenue, Eugene, Oregon. If special accommodations are required, please contact Amanda Hatch at (541) 346-3013 at least 72 hours in advance.

BOARD OF TRUSTEES

6227 University of Oregon, Eugene OR 97403-1266 T (541) 346-3166 [trustees.uoregon.edu](http://trustees.uoregon.edu)

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**Board of Trustees of the University of Oregon  
Executive and Audit Committee  
Public Meeting  
9:00 am – Thursday, March 2, 2017  
Ford Alumni Center, Giustina Ballroom**

**Convene**

- Call to order, roll call
- Approval of December 2016 EAC minutes (Action)

**1. Quarterly Audit Report:** Trisha Burnett, Chief Auditor

**2. University Tier III Investments Update:** Ross Kari, Finance and Facilities Chair; Jamie Moffitt, Vice President and CFO

**Meeting Adjourns**



## Agenda Item #1

### Quarterly Audit Report

*The quarterly audit report will be provided at the meeting.*



## Agenda Item #2

University Tier III Investments Update

*There are no materials for this section.*



Agenda Item #1 - Supplemental

Quarterly Audit Report



UNIVERSITY OF OREGON

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# Office of Internal Audit Quarterly Report

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**March 2017**

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

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## SUMMARY

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The Office of Internal Audit (Internal Audit) provides a quarterly report to assist the President and the Executive and Audit Committee (EAC) with their oversight responsibilities as outlined in the Internal Audit Charter.

The previous quarter has been very productive. Internal Audit has used a balanced approach to ensure the administrative goals for the year are met, while completing projects from the approved audit plan. Two projects have been completed and four more are currently in progress at various stages.

If there are any questions regarding the content of this report, I am available for discussion. Thank you for your work and your continued support of Internal Audit.

## COMPLETED PROJECTS

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### ***NCAA Football Attendance***

Annually, all Division I Football Bowl Subdivision schools must undertake a certified audit verifying an average minimum attendance for home games. Internal Audit performed a review of football attendance for all home football games for the 2016 season. The objective of the audit was to ensure compliance with NCAA requirements. Based on work performed, Internal Audit verified the University was in compliance with NCAA requirements. The submission deadline for the NCAA was February 15.

### ***Sensitive Data Audit***

Information security/privacy and data management were noted as key risks in the FY16 IT risk assessment. Internal Audit, in conjunction with Baker Tilly, conducted a review of the processes for securing sensitive data by certain units. The objective of the audit was to identify where the University's sensitive data is stored, who has access to it, and how the data is being protected. Based on work performed, Internal Audit identified opportunities to strengthen internal controls over the handling of sensitive data in accordance with the existing security policies. These issues were specific to the following areas:

- Insufficient policy and procedure development, communication, and education
- Inconsistent implementation of security practices
- Inadequate technical details for how and where to implement minimum security standards

Based on these issues, several recommendations were provided to the CISO, including:

- Establish standard processes for development, communication about, and education regarding policies and procedures that is more robust and inclusive than current practices.

- Expand guidance, inventory practices, and control systems around sensitive data.
- Centralize certain security practices.
- Implement institution-wide, minimum-security practices such as encryption, automatic updates, anti-virus and firewall software; and develop plans for providing guidance and controls regarding those.
- Update the existing Data Classification Policy to provide more examples and better explain the scope of the policy's provisions

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## PROJECTS IN PROGRESS

### ***Athletics Risk Assessment***

Internal Audit began this project in the previous year and it was put on hold due to office turnover. The initial planning phase was completed and objectives were identified. These include gaining an understanding of the athletics program in order to identify inherent risks and identifying systems and processes along with related controls that are intended to mitigate these risks. These results will be used to develop a multiple year, risk based audit plan. Interviews have been scheduled as this project moves forward. *Estimated hours: 120*

### ***Accounts Payable Practices and Controls***

Internal Audit began this project in late January. The objective is to evaluate the internal control structure of the central function. Initial planning phase has been completed and appropriate procedures have been identified. This project is currently in the fieldwork stage. *Estimated hours: 300*

### ***Cash Handling***

Internal Audit began this project in late February. The objective is to evaluate the internal control structure of the central function and the processes used by the campus. This project is currently in the preliminary planning phase, as information continues to be gathered. *Estimated hours: 200*

### ***IT Cost Model Study (Advising)***

Internal Audit began this project in mid-February. The objective is to assist the Information Services (IS) department in its IT cost model updates. Internal Audit, with Baker Tilly, is working with the Interim Chief Information Officer and the IS department to perform the study. This study will provide benchmarking data and help identify recommendations for the University's IT cost model. This project is currently in the execution stage. *Estimated hours: 30\**

*\*Note that this project is primarily assigned to Baker Tilly, as the co-sourced IT Auditor. Staff time needed is minimal.*

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## ONGOING PROJECTS

*Advising:* The FY17 audit plan includes time for advising activities. Internal Audit continues to offer training on internal controls, risk, and fraud awareness. Additionally, we have added facilitated internal control self-assessments as a service for the campus. We continue outreach and updates of our presentations to reach new audiences and introduce new concepts.

*External Audit Coordination:* Internal Audit is charged with coordinating and providing oversight for other control and monitoring functions, including external audit. Moss Adams, LLP is the external firm responsible for the University's financial statement audit, single audit, and NCAA agreed upon procedures. During the past quarter, Internal Audit met with Moss Adams to continue information sharing as the fiscal year continues.

## **FOLLOW-UP PROJECTS**

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Internal Audit will be performing follow-up work on completed projects to ensure any audit findings and action plans are implemented. No follow-up projects were initiated in this quarter.

## **HOTLINE SUMMARY**

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Internal Audit has received the following requests for investigative services during the current fiscal year. Of these, two have been completed and three are in progress. Also, work has been completed on projects from FY16 that were not finalized at year-end. Although not all hotline activity results in verifiable issues or reports, going forward Internal Audit will be communicating with management in these situations to raise awareness.

<b>Reporting Sources for FY17 Investigative Services</b>	
<b>Campus Direct to Internal Audit</b>	<b>3</b>
<b>3rd Party Hotline</b>	<b>2</b>
<b>Grand Total</b>	<b>5</b>

It is common for a university our size to have an active hotline. Based on the activity for FY17 so far, Internal Audit has identified marketing and outreach to the campus community as a priority. Internal Audit had previously identified this as an administrative goal for FY17.

## **ADMINISTRATIVE**

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To provide a foundation for the direction of the office, Internal Audit began the strategic planning process during this quarter. We have worked through the mission, vision, and goals for the office. Once this process is completed, the final product will be submitted for EAC and management approval. Once finalized, an update to the Internal Audit Charter will be pursued to ensure alignment.

Internal Audit has also implemented an annual certification for all staff. This document each staff members' commitment to apply and uphold the IIA's Code of Ethics, the office's confidentiality expectations, and disclosures of any conflicts of interest.

Administrative goals were identified in the Annual Risk Assessment and Internal Audit Plan for FY17. The current progress of each of these initiatives is as follows:

- Implement audit management software: Complete. Internal Audit staff continue the learning phase of the implementation. Staff are currently working within the software for all new projects.
- Refine Internal policies and procedures: Continuous. New standards were released by the IIA effective January 2017 that are being incorporated into policies and procedures. Also, procedures continue to be updated for changes necessary as a result of the new software.
- Market Internal Audit: Brochures and posters are in the final design stages.
- Develop self-assessment tools for the campus community: Currently underway, with necessary updates expected to be identified through the pilot facilitated self-assessment project.
- Develop and implement a student worker program: Outreach to University officials has occurred. Internal Audit will be developing program policies and procedures in the coming months. Contacts have been identified and planning is currently underway for a student worker program.



# Annual Code of Ethics and Confidentiality Agreement

## Code of Ethics

The Office of Internal Audit (“OIA”) adopts and upholds the Institute of Internal Auditors’ (“IIA”) Code of Ethics. Internal Auditors are expected to apply and uphold the following principles:

### 1. Integrity

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.
- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the University of Oregon.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the University of Oregon.

### 2. Objectivity

Internal auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the University of Oregon.
- 2.2. Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3. Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

### 3. Confidentiality

Internal auditors:

- 3.1. Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the University of Oregon.

### 4. Competency

Internal auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2. Shall perform internal auditing services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- 4.3. Shall continually improve their proficiency and the effectiveness and quality of their services.



### Confidentiality Statement

As a member of the University of Oregon Office of Internal Audit, I may have access to data that is confidential or sensitive in nature. I agree to the following with respect to carrying out audit projects and assignments:

1. I will not knowingly violate University of Oregon policies, or state or federal laws governing privacy of information.
2. I will appropriately maintain and protect the confidentiality of any information or data to which I may have access, including audit files and reports.
3. I will not seek to personally benefit or permit others to personally benefit from any university data or information that I may encounter during my work as an Office of Internal Audit employee.
4. I will seek to comply with the Code of Ethics of the Institute of Internal Auditors.
5. Upon separation of employment with the Office of Internal Audit, I agree to return all documents, equipment, property, reports, correspondence or other such items in my possession that belong to the University of Oregon. I further agree not to keep copies of any such items.
6. I will document any known conflict of interest which would inhibit my independence in carrying out an engagement in the section below.

### Conflicts of Interest Disclosure

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties – IPPF 1130.

Disclosure includes:

I hereby recognize that willful or accidental and grossly negligent violation of the rules and confidentiality agreement is grounds for disciplinary actions as may be appropriate given the particular circumstances, up to and including termination.

_____	_____	_____
Employee Name	Employee Signature	Date
_____	_____	_____
Supervisor Name	Supervisor Signature	Date

## MISSION STATEMENT

Driven by the highest professional and ethical standards, we help the University accomplish its objectives by evaluating and identifying opportunities to improve the effectiveness of governance processes, risk management, and internal controls.

## VISION STATEMENT

To be a preeminent partner that adds value, provides objective insight, and proactively collaborates to maintain the highest standard of excellence.

## GOALS FOR STRATEGIC PLAN

### ENHANCE STAKEHOLDER KNOWLEDGE AND EDUCATION

#### BUILD PARTNERSHIPS

- On campus (i.e. faculty, staff, students, and administration)
- Off campus (i.e. community, peer institutions, etc.)

### ADD VALUE BY IDENTIFYING SYSTEMIC OPPORTUNITIES FOR IMPROVEMENT

#### ESTABLISH CONSISTENT AUDIT POLICIES AND PROCEDURES