



August 28, 2019

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 set forth below. The subjects of the meeting will be internal audit annual and quarterly reports and a search plan for a new chief auditor.

The meeting will occur as follows:

**Thursday, September 5 at 3:00 p.m.**

Naito Building (LCB Portland) Room 136 | 109 NW Naito Parkway, Portland

The meeting will be webcast, with a link available at <https://trustees.uoregon.edu/meetings>.

Sign language for the deaf or hard of hearing should be requested at least 48 hours in advance of the posted meeting time by contacting Jennifer LaBelle at (541) 346-3166 or emailing [trustees@uoregon.edu](mailto:trustees@uoregon.edu). Please specify the sign language preference.

**BOARD OF TRUSTEES**

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

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**Board of Trustees | Executive and Audit Committee  
Public Meeting | September 5, 2019 | 3:00 p.m.  
Naito Building, Room 136**

**Convene**

- Call to order, roll call, verification of a quorum
- Approval of December 2018 and May 2019 Minutes

- 1. FY19 Year End Audit Report and Quarterly Report:** Amy Smith, Interim Chief Auditor
- 2. Chief Auditor Search Plan and Update:** Greg Stripp, Chief of Staff and Senior Advisor to the President

**Meeting Adjourns**

## **Agenda Item #1**

### **Internal Audit Report**



UNIVERSITY OF OREGON

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# Office of Internal Audit Annual Report

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**Fiscal Year 2019**

*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 fiscal year 2019 (FY19), the Office of Internal Audit (Internal Audit) continued improvement of the value-added services provided. These included the refinement of audit processes, increased management collaboration, and the continuation of a student internship program. To ensure best practices are in place, we continue to review the audit office policies and procedures, as well as bench mark with peer institutions.

Information contained in this report summarizes the activity for FY19. If there are any questions regarding the content of this report, or if there is any information that would be useful for the Committee to receive in future reports, the Interim Chief Auditor is available for discussion. Thank you for your work and your support of Internal Audit.

## **FISCAL YEAR 19 IN REVIEW**

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### **Assurance**

During FY19, Internal Audit completed the following audits from the FY19 audit plan:

- NCAA Football Attendance Certification
- Firearms Inventory
- Scholarship Award Compliance

In addition, Internal Audit finalized the following audits from previous audit plans:

- Cash Handling
- I-9 Compliance
- Human Resources Practices and Controls\*
- Athletics IT Risk Assessment\*

\*This work was led by Baker Tilly in collaboration with Internal Audit staff.

### **Consulting**

During FY19, Internal Audit consulting activities included the completion of one process improvement consulting project.

Additionally, Internal Audit continued to reach out to the campus community in an effort to raise awareness of the function and benefits of partnership and collaboration. Presentations were given across campus in FY19 in a continuing effort to educate employees about the function, services provided, the audit process, and guidance for reporting fraud or other potential concerns. Training on internal controls, the three lines of defense, risk, and fraud awareness were also provided.

Internal Audit personnel actively participated on various committees and workgroups that support management initiatives, including committees that address risk, IT governance, and compliance. These committees/workgroups include:

- Strategic Enterprise Risk Management and Compliance Committee (SERMC)
  - Reporting Channels Workgroup
  - Clery Compliance Workgroup
  - Technology Accessibility Workgroup
- Data Security Incident Response Team (DSIRT)
- Information Security and Privacy Governance Committee (ISPGC)
  - Security Policy Services Advisory Board
- Cybersecurity Awareness Team (CAT)
- Payment Card Industry (PCI) Team
- Graham Leach Bliley Act (GLBA) Safeguards Review Team
- Capital Construction Financial Advisory Group

Internal Audit also provided counsel and advice during periodic check-in meetings with management and senior leadership to add value and insight as management decisions were and continue to be made.

### **Follow Ups**

During FY19, Internal Audit conducted follow ups on the following audits:

- Lab Safety Practices
- Printing and Mailing

### **Hotline**

In FY19, Internal Audit received 22 allegations through reports submitted through the anonymous reporting hotline or directly from campus. Hotline activity is considered healthy for an institution of our size, and

there is a slight increase over the prior year. Internal Audit is currently working with management to ensure all reporting channels have been identified, procedures are in place for appropriate workflows or delegation, and investigations are completed timely. The 'Reporting Channels' workgroup includes members of senior leadership and others across campus where reports may be received, timelines regarding investigations of specific topics are compliance related, and other stakeholders. Once finalized, a consistent process will be established for all investigative activities across campus.

### **Risk Assessment and Fiscal Year 20 Audit Plan Development**

Internal Audit prepared a risk-based audit plan for fiscal year 20 (FY20). The process involved a partnership with the University's Enterprise Risk Management (ERM) function and the Strategic Enterprise Risk Management and Compliance Committee (SERMC). Internal Audit held interviews with senior leadership and management in key areas and reviewed trends in higher education as additional risk factors. The results were presented and approved at the May meeting.

### **External Audit Coordination**

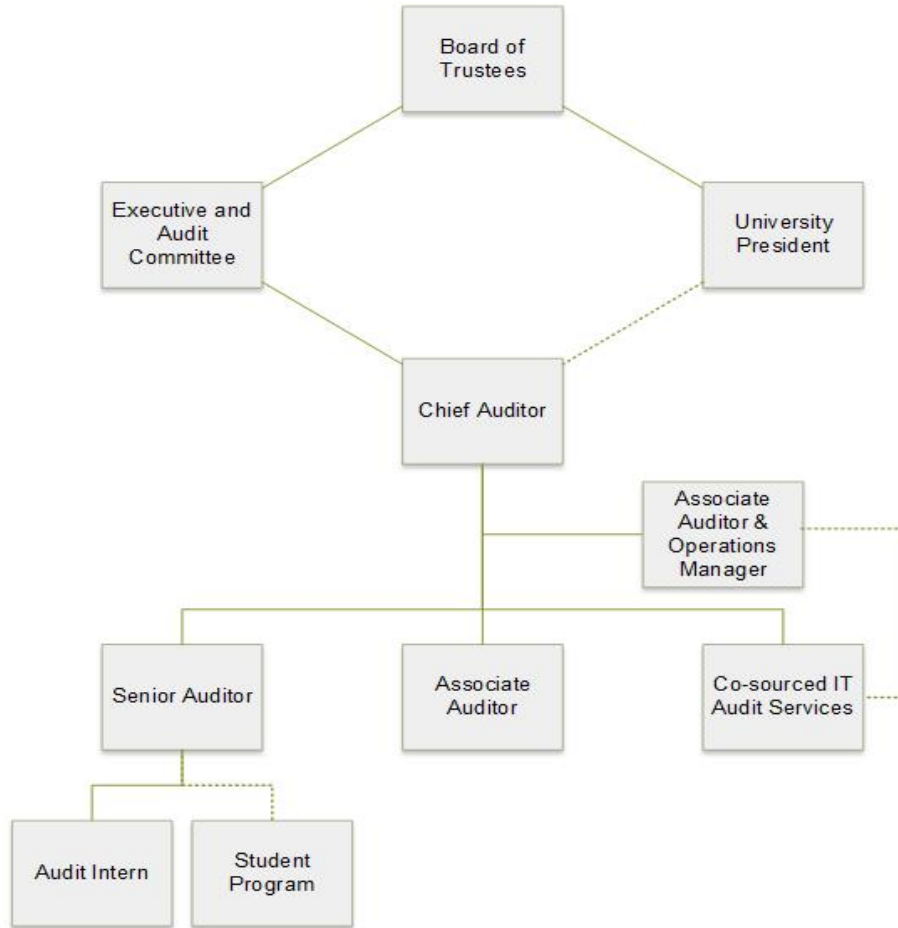
Internal Audit is charged with coordinating and providing oversight for other control and monitoring functions, including external audit. Internal Audit meets with the external financial auditors regularly to discuss results of testing, progress, risks, collaboration, and other issues as they relate to coordinating efforts to increase efficiency. During FY19, Internal Audit assisted during the Research and Development (R&D) single audit to help management anticipate and respond to potential issues that may arise during the external audit. External audit coordination has provided a benefit to the University by driving audit efficiency and ensuring appropriate information is provided to external auditors in a responsive and timely manner. In coordination with Research and Business Affairs, guidelines on roles and responsibilities for external audits were developed and distributed.



**Administrative**

Staffing

Internal Audit conducted a search for the vacant auditor position and the new Associate Auditor was hired and began in May 2019. Internal Audit also continued to co-source the IT Auditor position with an external firm, Baker Tilly.



Professional Development

Professional standards require internal auditors to enhance knowledge, skills, and other competencies by obtaining continuing professional education (CPE) on an annual basis. During FY19, Internal Audit continued our involvement with professional organizations that support higher education and internal auditing.

- Association of College and University Auditors (ACUA),
- Pacific Northwest Higher Education Internal Auditors (PNWHEIA),
- Institute of Internal Auditors (IIA)
- Association of Certified Fraud Examiners (ACFE)
- Information Systems Audit and Control Association (ISACA)
- EDUCAUSE

These professional organizations provide auditors valuable resources, training and CPE opportunities, best practices, and professional collaboration. During FY19, Internal Audit staff participated in training opportunities provided by organizations and topics included risk, compliance, information technology and security, fraud, research, financial controls, etc.



Professional certifications are also an important part of professional development. During FY19, the Senior Auditor received their Certified Internal Auditor (CIA) certification from the IIA. The Associate Auditor and Operations Manager is currently working on obtaining their CIA, and has successfully passed the first exam.

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.

#### Student Internship Program

In FY19, Internal Audit hired our first audit intern, which is a paid, student employee position. Under the supervision of the Senior Auditor, the audit intern conducted audit fieldwork and reporting. Additionally, the audit intern coordinated the student internship program with Beta Alpha Psi. The second cohort of Beta Alpha Psi students conducted fieldwork testing during the Winter and Spring term for the Vendor Contract Review audit. Both internship experiences provide students with practical skills development (i.e. communication, project management, etc.), related training, and work experience in a professional setting.

### **FISCAL YEAR 20 GOALS**

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#### **Chief Auditor Transition**

Internal Audit is undergoing personnel changes due to turnover in the Chief Auditor role. The Interim Chief Auditor will be working with members of the EAC and senior leadership to assess and prioritize next steps while a national search is conducted.

#### **Strategic Plan Implementation**

During the last quarter of FY17, Internal Audit created a two-year strategic plan along with specific action items to ensure the office adds the most value to the University. Internal Audit is committed to ensuring the action items are completed timely and effectively as the office continues to mature. Additionally, once the new Chief Auditor is hired, a new strategic plan and goals for the office will be prepared.

#### **Quality Assurance Efforts**

The IIA Standards require that internal audit organizations conduct an external assessment at least once every five years by an independent assessor or assessment team from outside the organization that is qualified in the practice of internal auditing as well as the quality assessment process. The primary objective of the validation is to verify the Office of Internal Audit conforms with IIA Standards and Code of Ethics. In FY20, Internal Audit plans to undergo a quality assurance review to provide external validation for the function.



UNIVERSITY OF OREGON

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# Office of Internal Audit

## Quarterly Report

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**September 2019**

*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 with their oversight responsibilities for Internal Audit.

Internal Audit works to complete projects from the approved audit plan while meeting administrative goals for the year. Consulting projects are also proposed by campus units, and are prioritized based on audit staff capacity in an effort to proactively address risks and increase efficiencies across campus.

During the previous quarter, Internal Audit finalized three assurance projects. In addition, there are seven assurance projects and three consulting projects in progress at various stages of completion. Follow up projects are also performed to ensure previous audit recommendations have been followed, and risks have been appropriately addressed; one follow up project is in progress as of now.

Finally, as the result of the graduation of Internal Audit’s first student employee, a new student employee was hired and started July 2019. This will provide an opportunity for Internal Audit to continue mentoring and educating University students about the profession, as well as for students to gain work experience in the internal audit field. The student is working under the supervision of the Interim Chief Auditor.

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

## COMPLETED PROJECTS

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### ASSURANCE

#### *Human Resources Process Review*

Internal Audit, in collaboration with Baker Tilly, performed this project. This project was identified on the approved FY18 audit plan. The objective was to evaluate the effectiveness of processes within the central function. This included assisting the department, as well as the University, in maximizing the potential benefits and positive impacts of the HR function and manage risk. The final report was issued in July 2019 and recommendations for process improvements were made. Internal Audit will follow-up on these recommendations and corrective action plans in fiscal year 2020.

#### *University Health Center IT Assessment*

Internal Audit, in collaboration with Baker Tilly, performed this project. This project was identified on the approved FY19 audit plan. The objective was to conduct an IT assessment for the University Health Center covering key people, processes, and technology used. The final report was issued in August 2019 and recommendations for process improvements were made. Internal Audit will follow-up on these recommendations and corrective actions in fiscal year 2021.

#### *GLBA Financial Assistance Compliance*

Internal Audit, in collaboration with Baker Tilly, performed this project. This project was identified on the approved FY19 audit plan. The objective was to evaluate how the University's financial aid processes meet the GLBA requirements outlined in a 2016 Dear Colleague Letter. The final report was issued in August 2019 and recommendations for process improvements were made. Internal Audit will follow-up on these recommendations and corrective actions in fiscal year 2021.

### CONSULTING

There were no consulting project finalized during this quarter.

### FOLLOW-UPS

There were no follow-up projects finalized during this quarter.

## PROJECTS IN PROGRESS

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### ASSURANCE

#### *Non-Retaliation Processes*

Internal Audit began this project in August 2017. This project was identified on the approved FY18 audit plan. The objective is to evaluate the compliance and effectiveness of current University policies governing retaliatory behavior. This project had been reassigned to the Chief Auditor for completion due to turnover. This project is currently in the reporting phase. *Estimated completion: September 2019*

#### *Payment Card Industry (PCI) Program Assessment*

Internal Audit, in collaboration with Baker Tilly, began this project in October 2018. This project was identified on the approved FY19 audit plan. The objective is to review and assess the University's program for complying with PCI Data Security Standards (DSS) requirements. This project is currently in the reporting phase. *Estimated completion: September 2019*

#### *Vendor Reviews*

Internal Audit, in collaboration with a student employee and students from Beta Alpha Psi, began this project in December 2018. This project was identified as a Tier II project on the approved FY19 audit plan. The objective is to assess whether contracts were authorized, appropriate, and in accordance with University policies and procedures. This project is currently in the reporting phase. *Estimated completion: October 2019*

### ***Critical Business Functions***

Internal Audit began this project in September 2018. This project was identified on the approved FY19 audit plan as a result of systemic risks identified by Internal Audit. These risks were communicated to senior leadership and the Board of Trustees. The objective is to perform an assessment of where and how decentralized critical business operational processes occur at the University. This project is currently in the fieldwork phase. *Estimated completion: December 2019*

### ***Physical to Cyber***

Internal Audit, in collaboration with Baker Tilly, began this project in March 2019. This project was added to the FY19 audit plan. The objective is to evaluate the security practices of high risk physical-to-cyber systems and validate adherence to UO's policies and procedures and industry leading security practices. This project is currently in the fieldwork phase. *Estimated completion: December 2019*

### ***IT Risk Assessment Refresh***

Internal Audit, in collaboration with Baker Tilly, began this project in July 2019. This project was identified on the approved FY20 audit plan. The objective is to refresh the enterprise-wide IT risk assessment that was completed in FY16 in order to identify and prioritize University IT risks. This project is currently in the fieldwork phase. *Estimated completion: October 2019*

### ***Ticket and Parking Sales Processes***

Internal Audit began this project in April 2019. This project was identified on the approved FY19 audit plan. The objective is to evaluate the adequacy of controls over reporting and accountability for ticket and parking sales. This project is currently in the planning phase. *Estimated completion: December 2019*

## **CONSULTING**

Internal Audit is currently working on three consulting projects for different units on campus that are at various stages of completion, with three additional consulting projects requested. The most notable current consulting project is a process review in SPS to ensure controls are in place for compliance with grant requirements. While these projects take time away from planned assurance projects, they serve three very important purposes, 1) to improve efficiencies and effectiveness in a proactive manner, 2) to reinforce Internal Audit's purpose to be a valuable partner, and 3) to provide Internal Audit with more insight regarding campus risks. Areas addressed in the current year include internal controls, process improvement, and identification of efficiencies. Once finalized, reports are issued summarizing any recommendations.

## **FOLLOW-UPS**

To comply with internal auditing standards that require monitoring of audit recommendations communicated to management, Internal Audit performs follow-up projects. The objective of follow up projects is to monitor the disposition of observations from prior projects. Internal Audit ensures corrective actions on the project recommendations, including those that may have been considered non-reportable, have been effectively implemented by management, or that management has accepted the risk of not taking action.

### ***Follow Up of Purchasing Practices***

Internal Audit is following up on six observations that included 13 corrective action items from Purchasing and Contracting Services (PCS) included the original report. This follow-up is being conducted in conjunction with the Vendor Contract Review audit. *Estimated completion: October 2019*

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## **UPCOMING PROJECTS**

### **ASSURANCE**

#### ***Admissions***

Internal Audit plans to begin this project once FY19 audit projects are complete. The audit focus is to evaluate the processes used to admit students, including consistency of decision making and classifications.

### **CONSULTING**

There are three consulting projects that have been requested, however due to office turnover and lack of available resources, these consulting projects have been placed on hold until FY19 audit projects are complete.

### **FOLLOW UP**

#### ***Grant Management Processes***

Internal Audit plans to begin this assurance follow up once FY19 audit projects are complete. This project is a follow up of an audit performed in FY15.

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## **HOTLINE SUMMARY**

Internal Audit has received the following reports for investigative services during FY20. Of these, two are open.

<b>Reporting Sources for FY20 Investigative Services</b>	
<b>Campus Direct to Internal Audit</b>	0
<b>3rd Party Hotline</b>	2
<b>Grand Total</b>	<b>2</b>

For FY19, the following requests for investigative services were received. Of these, nine are closed, and 13 are open.

<b>Reporting Sources for FY19 Investigative Services</b>	
<b>Campus Direct to Internal Audit</b>	9
<b>3rd Party Hotline</b>	13
<b>Grand Total</b>	<b>22</b>

Note that some of these reports have been referred to other units for review and potential investigation. Reports referred to other units are followed up on by Internal Audit to ensure appropriate disposition. It is common for a university our size to have an active hotline. Peer institution benchmarking indicates the activity has been low for our institution, but has improved from the prior fiscal year. A SERMC workgroup, in which Internal Audit is a member of, has been working to inventory and streamline reporting channels that may exist on campus.

## **ONGOING PROJECTS**

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*Consulting:* In addition to the previously mentioned consulting projects, Internal Audit provides the following advisory services to campus:

- Advice and trainings on internal controls, risk and fraud awareness. An upcoming training this next quarter will be presenting on Internal Controls and Fraud at the annual Financial Stewardship Institute.
- Facilitation of internal control self-assessments for units
- Serves on various University committees and workgroups. Examples include, SERMC, DSIRT, ISPGC, etc.

*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 coordinated with Moss Adams, Business Affairs and Research on the financial statement audit and research & development (R&D) single audit.

## **ADMINISTRATIVE**

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Internal Audit is undergoing personnel changes due to turnover in the Chief Auditor role. As of August 15, 2019, the Senior Auditor is currently serving as the Interim Chief Auditor. The Interim Chief Auditor will be working with members of the EAC and senior leadership to assess and prioritize next steps while a national search is conducted. Additionally, the current Associate Auditor and Operations Manager will be transitioning to a new role as the Associate IT Auditor. The office is currently working on this transition plan.

Office of the Vice President for Research and Innovation  
Update on FY2018 Research & Development compliance audit corrective action plan and Sponsored  
Project Services

Sponsored Projects Services (SPS) has made significant progress on the FY2018 Research & Development compliance audit corrective action plan, and the on-time submission rates have improved. Between December 2018 and June 2019, SPS submitted 501 financial reports. Of the 501 reports, 494 were submitted on-time or early (98.6%), including all reports that had deadlines between December 2018 and June 2019. The remaining 7 reports had been due prior to December 2018. All of these late reports have been submitted and all were accepted by the sponsor.

Internal Audit has completed their review of SPS procedures and we are looking forward to the report, including any recommended opportunities for improvement. We expect that report in the coming weeks. Moss Adams has begun the FY 2019 Research & Development compliance audit and the process is going smoothly from our perspective.

During FY 2019, we successfully onboarded many new staff. In addition, eleven SPS staff members studied for the Certified Research Administrator exam and all of them passed the four-hour written exam in May 2019. This is a significant accomplishment for the staff; hard work and dedication paid off. In addition, we are excited to have welcomed a new SPS Executive Director, Andrew Gray, in August 2019. Andrew has extensive experience in sponsored projects administration at the University of Alaska Fairbanks. Andrew is aware of the audit finding and our work on the corrective action plan, and is committed to continued improvements.



## **Agenda Item #2**

### **Update on the Chief Internal Auditor Search**

*There are no materials for this agenda item.*

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