

Note for online reference: Any materials or exhibits referenced in this approved resolution can be found in the meeting's materials posted at <https://trustees.uoregon.edu/meetings>.

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

Resolution: Adoption of FY17 Risk Assessment and Audit Plan

Whereas, the University of Oregon (University) is governed by and the business and affairs of the University are ultimately managed by the Board of Trustees;

Whereas, the University takes seriously the responsibility to manage, invest and spend resources;

Whereas, the University's Office of Internal Audit provides independent, objective evaluations and advisory services that add to the accountability of the University;

Whereas, the Office of Internal Audit will work closely with the Board of Trustees, university leadership, faculty and staff to conduct and coordinate a broad range of audit functions for the University; and

Whereas, the Office of Internal Audit has developed an audit plan for Fiscal Year 2017 ("Audit Plan") attached hereto as Exhibit A; and,

Whereas, the Policy on Committees authorizes the Executive and Audit Committee to act on behalf of the full Board of Trustees when appropriate;

Now, THEREFORE, the Executive and Audit Committee of the Board of Trustees of the University of Oregon hereby approves the proposed FY17 audit plan and directs the officers, or their designee(s), of the University to take all actions and steps deemed necessary and proper to implement the approved plan.

VOTE: Voice Vote Recorded – Ayes carried (no dissention)

DATE: June 2, 2016

Recorded by the University Secretary: 

Office of Internal Audit
Annual Risk Assessment and Internal
Audit Plan

FY2017

Risk Assessment

*Conducted for the purpose of developing the
Annual Risk Based Audit Plan*

EXHIBIT A

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EXECUTIVE SUMMARY

During FY16, the Office of Internal Audit (Internal Audit) met with the Director of Enterprise Risk Services (ERS) and discussed the risk assessment process. It was determined that Internal Audit would collaborate with ERS for the enterprise risk assessment during early 2016. However, this collaborative process was subsequently rescheduled for fall 2016. Internal Audit has experienced nearly complete turnover in staffing during FY16. As a result, risks identified during the prior year risk assessment process have not been fully evaluated. For the FY17 audit plan, Internal Audit will revisit information gathered during the prior year as a basis for the audit plan. This includes review of the prior year audit plan, the results of the Strategic Enterprise Risk Management & Compliance (SERMC) committee risk assessment process, and prior year interviews conducted by Internal Audit. Feedback from senior leadership will be obtained to identify necessary adjustments.

Many processes and systems are currently being evaluated by management for potential changes. Time will be allocated on the audit plan to allow for advisory services in these areas. Internal Audit will advise on internal controls, safety, security, compliance, efficiency, and effectiveness. The progress and action plans will be included in Board communications.

METHODOLOGY

During the preparation of the FY17 audit plan, Internal Audit reviewed prior audit work, risk assessments, interviews, external consulting analyses, and input from senior leadership about audit priorities.

As the internal audit function is still new to the University, one focus is validating fundamental control systems, including evaluation of administrative oversight functions (Risk Source 1). Audit objectives will focus on evaluating the internal control structure of oversight functions based on the Committee of Sponsoring Organizations of the Treadway Commission (COSO) model and the efficiency of processes.

The results of the 2014 SERMC Risk Assessment Report identify downside risks – those risks that could negatively affect the university's ability to achieve its core mission of instruction, research, and public service. Follow-up was performed in 2015 to identify changes in perceived risks. Both of these documents are valuable inputs into the current (Risk Source 2).

The prior year risk assessment was designed as a formal mechanism to gather information about factors that could prevent the University from meeting its objectives. The results collectively reflected more than 90 interviews with senior leaders, deans, directors, and department heads. (Risk Source 3).

RESULTS

Mission Statement

The mission of the Internal Audit is to assist leadership in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal controls, and governance processes.

Introduction

The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF) requires the chief audit executive to establish a risk-based plan to determine the priorities of the internal audit function. Due to employee turnover, there was no internal audit staff for the majority of the year. Several audits were started but not completed.

Audit Resources

The Internal Audit is currently comprised of a chief auditor and one executive assistant. However, the hiring process has been initiated to fill two internal audit staff positions. Reasonable assumptions were made as to the hiring process and starting dates included below. However, variations will have a direct impact on the hours available for audit services. Audit staff resources are expected to be allocated as follows:

Position	Gross Available Hours	Leave & Holidays	Training & Related Travel	Net Available Hours
Chief Auditor	2,080	350	60	1,670
Internal Auditor	1,733 *	350	140 #	1,243
Internal Auditor	1,733 *	350	140 #	1,243
Total	5,547	1,050	340	4,157

* Expected start dates of September 1, 2016

Note that in addition to annual continuing education requirements, new employees are required to attend University orientation and other introductory trainings.

2017 Audit Plan

Internal Audit will focus on validating fundamental control systems and high risk areas as identified in the SERMC Risk Assessment Report and the prior year interviews conducted by Internal Audit. Other administrative goals for FY17 are:

- Implement audit management software
- Refine internal policies and procedures to ensure compliance with the IIA’s International Professional Practices Framework (IPPF)
- Market Internal Audit to all levels of the University
- Develop self-assessment tools for the campus community
- Develop and implement a student worker program

Internal Audit engages in three primary activities – assurance, advisory, and investigative services. Additionally, Internal Audit performs follow-up engagements and coordinates external audit efforts. The focus of Internal Audit is to actively work with the University to assist management in addressing strategic, financial, operational, compliance, and reputational risk and exposures on both university-wide and departmental level processes and control systems. Internal Audit brings a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. As a result of turnover in the office, the prior year risk assessment and prior year approved audit plan will serve as the basis for the proposed FY17 risk based plan in order to appropriately focus audit resources.

Internal Audit’s planned audit projects for FY17 are:

Audit Unit	Audit Title	Audit Focus	Risk Source	Estimated Hours
Assurance Services				
Business Affairs	Accounts Payable Practices and Controls	To evaluate the internal control structure of the central function.	1	400
Business Affairs	Payroll Practices and Controls	To evaluate the internal control structure of the central function.	1	400

Business Affairs	Cash Handling	To evaluate the internal control structure of the central function and the processes used by the campus.	1	400
Athletics	Unit Level Risk Assessment	To gain an understanding of the athletics program in order to identify inherent risks; to identify systems and processes along with related controls that are intended to mitigate these risks. The results of this work will be used to develop a multiple year, risk based audit plan.	1,3	300
Athletics	NCAA Compliance Program	To evaluate the effectiveness of the program using a compliance framework	2,3	300
Research & Innovation	Export Controls	To evaluate the processes used to ensure compliance with federal export control regulations.	2,3	300
Central IS	IT Security	Evaluate the IS Information Security Office's various efforts to protect University information and systems to comply with applicable laws and regulations	2,3	40
Advisory Services				
Campus Wide	Trainings and Presentations	Internal Audit will continue offering training on internal controls, risk, and fraud awareness as requested and plans to establish ongoing professional development opportunities.		100
Campus Wide	Advisory Services	Management may ask Internal Audit for advisory services to be performed in accordance with the mission and authority of Internal Audit.		200
Investigative Services				

Campus Wide	Investigative Audits	Based upon the number of reports received from EthicsPoint hotline and management. Also includes carryforward from FY16.		600
Follow-Up				
Campus Wide	Follow up procedures	Follow up on corrective actions from previous engagements.		200
External Audit Coordination				
Business Affairs & Athletics	Financial Statements, Single Audit, and NCAA AUP	Coordinate with and provide oversight of external audit in accordance with the Internal Audit Charter.		80
Risk Assessment & Audit Planning				
Campus Wide	Facilitated Internal Control Self Assessments	Solicit areas of the campus to participate in facilitated internal control self-assessments.		100
Campus Wide	Student Mentoring	As the student intern project is developed, this will include mentoring students as they gain an understanding of specific unit processes, identify weaknesses, and work with unit management to improve processes.		120
Campus Wide	Annual Risk Assessment	The annual risk assessment will form the basis of the audit planning for future years. Estimated budget includes participation in Enterprise Risk Services enterprise wide risk assessment.		200
Administrative Initiatives				
Campus Wide	Process Improvement	Previously defined administrative goals for FY17		417
			Total Hours	4157