

*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>.*

**BOARD OF TRUSTEES OF THE UNIVERSITY OF OREGON**

**RESOLUTION**

**ADOPTION OF INTERNAL AUDIT CHARTER AND FY15 AUDIT PLAN**

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

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

Whereas, the University has created an Office of Internal Audit to provide independent, objective evaluations and advisory services that add to the accountability of the UO;

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 – for approval by the Board – an Internal Audit Charter (“Audit Charter”) to provide guiding principles and direction to the Office and an audit plan for Fiscal Year 2015 (“Audit Plan”) as described in the document attached hereto as Exhibits A and B, respectively; and

Whereas, pursuant to the Board’s Policy on Committees, the Executive and Audit Committee of the Board of Trustees voted to refer this action as a seconded motion to the Board of Trustees for adoption;

Now, therefore, the Board of Trustees of the University of Oregon hereby approves and adopts the Audit Charter and the FY 2015 Audit Plan. The Board hereby instructs the Officers of the University to take all actions and steps deemed necessary and proper to implement the Audit Charter and the Audit Plan.

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

DATE: September 11, 2014

Recorded by the University Secretary: 

## **Exhibit A**

### **Office of Internal Audit Charter**

#### **Preamble**

The purpose of the internal audit function is to provide independent, objective assurance and advisory services that add value and accountability while driving improvement to the operations of the University.

The mission of the Office of 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. Audits will be conducted with objectivity, transparency, fairness, and in accordance with the highest professional and ethical standards.

#### **Scope of Work**

The scope of work is to determine whether the University's network of governance, risk management, and control processes, as designed and represented by management, is adequate and functioning in a manner to confirm that:

- Risks are appropriately identified and managed.
- Interaction with the various governance groups occurs as needed.
- Significant financial, managerial, and operating information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and protected adequately.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's control process.
- Significant legislative or regulatory issues impacting the organization are recognized and addressed properly.

Opportunities for improving management control, effectiveness, and the University's image may be identified during audits. They will be communicated to the appropriate level of management.

#### **Accountability**

The Chief Auditor, in the discharge of his/her duties, shall be accountable to the Vice President for Finance and Administration/CFO, the President, and the Board of Trustees Executive and Audit Committee to:

- Provide annually an assessment on the adequacy and effectiveness of the University's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the University and its applicable affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Report the results of internal and external assessments conducted in association with the Quality Assurance and Improvement Program.
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of the Office of Internal Audit resources.

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- Coordinate with and provide oversight of other control and monitoring functions i.e. risk management, compliance, security, legal, ethics, environmental, external audit.

## **Independence**

To provide for the independence of the Office of Internal Audit, its personnel report to the Chief Auditor, who reports administratively to the Vice President of Finance and Administration and functionally to the Board of Trustees Executive and Audit Committee. The Board demonstrates this functional reporting relationship by:

- Approving the Office of Internal Audit Charter;
- Approving the risk based audit plan;
- Receiving communications from the Chief Auditor on the internal audit activity's performance relative to its plan and other matters;
- Approving decisions regarding the appointment and removal of the Chief Auditor; and
- Making appropriate inquiries of management and the President to determine if there are inappropriate scope or resource limitations.

The Chief Auditor enhances independence and meets the IIA Standard requirement of communication and direct interaction with the President through periodic meetings with the Vice President of Finance and Administration/CFO and the President. In addition, the Chief Auditor confirms with the Board of Trustees Executive and Audit Committee the organizational independence of the Office of Internal Audit on an annual basis.

## **Responsibility**

The Chief Auditor and staff of the Office of Internal Audit have responsibility to:

- Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by applicable UO management, and submit that plan to the President and Board of Trustees Executive and Audit Committee for review and approval;
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by applicable UO management;
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- Establish a quality assurance program by which the Chief Auditor assures the operation of the internal auditing activities;
- Perform consulting services, beyond internal audit assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services;
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion;
- Issue periodic reports to the President, Board of Trustees Executive and Audit Committee, and applicable UO management summarizing results of audit activities as well as results of internal and external assessments conducted in association with the Quality Assurance and Improvement Program;
- Keep the President, Board of Trustees Executive and Audit Committee, and applicable UO management informed of emerging trends and successful practices in internal auditing;

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- Provide a list of significant measurement goals and results to the President, Board of Trustees Executive and Audit Committee, and applicable UO management;
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify the President, Board of Trustees Executive and Audit Committee, and applicable UO management of the results;
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the University at a reasonable overall cost.

### **Authority**

The Chief Auditor and staff of the Office of Internal Audit are authorized to:

- Have unrestricted access to all functions, records, property, and personnel.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within or outside the organization.

The Chief Auditor and staff of the Office of Internal Audit are not authorized to:

- Perform any operational duties for the University.
- Initiate or approve accounting transactions external to the Office of Internal Audit.
- Direct the activities of any University employee not employed by the Office of Internal Audit, except to the extent such employees have been appropriately assigned to an audit team or to otherwise assist the auditors.

### **Standards of Internal Audit Practice**

The Office of Internal Audit will meet or exceed the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors. Consistent with the IIA Standards, the internal audit activity recognizes the mandatory nature of the Definition of Internal Auditing, the Code of Ethics, and the IIA Standards.

The Office of Internal Audit operates within the context of the International Professional Practices Framework, the IIA Code of Ethics, the COSO control framework, and the Office of Internal Audit's Policy and Procedures Manual.

**Exhibit B**

**Office of Internal Audit  
FY2015 Audit Plan**

**Annual Audit Plan**

The following audit plan represents proposed activities identified through a high level risk assessment along with specific tasks necessary to implement the audit function at the University of Oregon. The plan also includes an estimation of hours necessary for each activity, the approximate time of the year each activity will take place and the current status.

	<b>Project</b>	<b>Estimated Hours Required</b>	<b>Type of Service</b>	<b>Start</b>	<b>Status</b>
<b>Internal Audit Implementation</b>	Chief Auditor Orientation	40	Administrative	FY14-4 <sup>th</sup> Q	✓
	Develop Internal Audit Charter (Draft)	10	Administrative	FY 14-4 <sup>th</sup> Q	✓
	Establish Fraud Reporting Hotline (Ethics Point) ✓ Document Procedures	20	Administrative	FY 14-4 <sup>th</sup> Q	✓
	Identify necessary resources/budget approval	10	Administrative	FY 14-4 <sup>th</sup> Q	✓
	Identify necessary competencies	10	Administrative	FY 14-4 <sup>th</sup> Q	✓
	Set up physical audit office	20	Administrative	FY15-1 <sup>st</sup> Q	In process
	Internal Audit Department ✓ Policies, ✓ Procedures, ✓ Work paper system ✓ webpage	80	Administrative	FY15-1stQ	In process
	Hire staff	300	Administrative	FY15-1stQ	In process
	Procure External Auditor – ✓ Financial Statement ✓ OMB A133 ✓ NCAA Agreed Upon Procedures	20	Administrative	FY15-1stQ	In process
	New Staff Orientation	80	Administrative	FY15-2 <sup>nd</sup> Q	
	Staff Training on all University Systems: ✓ Financial system - Banner ✓ Accounts Payable ✓ Accounts Receivable ✓ Budgeting ✓ HR – Hiring ✓ Travel ✓ Inventory ✓ Payroll ✓ Purchasing ✓ Contracts ✓ Student records ✓ Financial Aid ✓ IT – multiple areas ✓ Athletics – multiple areas ✓ Research	300	Training	FY15-2 <sup>nd</sup> Q	
	<b>Admini</b>	External Audit Coordination	35	Administrative	On-going
Campus Committees (SERM, etc.)		100	Advise/Consult	On-going	In Process
University-wide risk assessment ✓ Conduct Interviews		120		FY15-2 <sup>nd</sup> Q	

	Project	Estimated Hours Required	Type of Service	Start	Status
	<ul style="list-style-type: none"> <li>✓ Gather Data</li> <li>✓ Prior Audits</li> <li>✓ External Regulatory Changes</li> <li>✓ ERM previously identified auditable risks</li> </ul>				
	Ethics & Fraud Reporting Hotline - Investigations & Reporting <ul style="list-style-type: none"> <li>✓ Scope &amp; Objective of work TBD based on reports &amp; requests</li> </ul>	300	Investigative	As Necessary	
	Annual Reporting	20	Administrative	FY15-4 <sup>th</sup> Q	
	Performance Reviews	20	Administrative	FY15-4 <sup>th</sup> Q	
<b>Audit Projects</b>					
	Evaluate Enterprise Risk Management Performance Standard 2120 "The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes."	60		FY15-2 <sup>nd</sup> Q	
	Research <ul style="list-style-type: none"> <li>✓ The new OMB Uniform Guidance (Omni-Circular), released in December 2013, consolidated eight OMB circulars into one document and changed some of the fundamental concepts underlying the way sponsored programs are monitored. Universities are assessing their current policies and business practices to determine the effects.</li> <li>✓ Internal audit services can be utilized to assess how well the institution complies. New federal audit techniques are utilizing data analytics to test grant spending.</li> <li>✓ Minimal testing to mimic new audit procedures and report to results to management.</li> </ul>	250	Consulting 80%  Audit (testing) 20%	FY 15-3 <sup>rd</sup> Q	
	Grant Management/Reporting/Accounting <ul style="list-style-type: none"> <li>✓ Assess grant management practices and determine if there are areas to improve efficiency and effectiveness.</li> <li>✓ Identify risks within the process.</li> <li>✓ Determine if practices comply with applicable regulations.</li> </ul>	300	Audit	FY15-4 <sup>th</sup> Q	
	Athletics <ul style="list-style-type: none"> <li>✓ Detailed Risk Assessment of specific processes (ticket sales, event safety, cash handling, summer camps, NCAA, athlete safety)</li> <li>✓ UO Athletics plays a vital role at the University and with it come significant risks. Universities across the country are experiencing negative impacts of unfortunate events in athletics. In addition to fines and court costs, the reputational damage affects universities the most.</li> </ul>	300	Detailed Risk Assessment	FY 15-3 <sup>rd</sup> Q	
<b>Audit Services</b>	Athletics	40	Audit	TBD (required)	

Project	Estimated Hours Required	Type of Service	Start	Status
<ul style="list-style-type: none"> <li>✓ Certify home football game attendance in compliance with NCAA requirements</li> </ul>				
IT Security Assessment – <ul style="list-style-type: none"> <li>✓ Assess Impact &amp; Vulnerability</li> <li>✓ Stakeholders reported IT security as a concern during introductory meetings with chief auditor. A high level assessment of the current structure of IT and practices can determine where Internal Audit resources would be most valuable.</li> <li>✓ Minimal audit testing to determine severity.</li> <li>✓ Consider consulting as IT policies and the overall structure change.</li> </ul>	400	Contractual Services	FY 15-2 <sup>nd</sup> Q	
Lab Safety <ul style="list-style-type: none"> <li>✓ Assess lab safety protocol on campus to determine if practices comply with local, state, and federal standards.</li> </ul>	100	Audit	FY15-4 <sup>th</sup> Q	
Purchasing <ul style="list-style-type: none"> <li>✓ Assess the UO purchasing practices.</li> <li>✓ Determine efficiency and effectiveness</li> <li>✓ Determine if practices comply with applicable laws.</li> </ul>	100	Audit	FY15-4 <sup>th</sup> Q	
Financial <ul style="list-style-type: none"> <li>✓ Cash Handling procedures campus wide</li> <li>✓ Accounts Payable</li> <li>✓ Time &amp; Effort tracking/reporting</li> </ul>	300	Detailed Risk Assessment (50%) Audit (50%)	FY15-4 <sup>th</sup> Q	
<b>Total Estimated Hours</b>	<b>3335</b>			
* One full-time auditor adds approximately 1596 audit hours to the resources per year. UO Office of Internal Audit plans to have audit staff hired by second quarter of FY15 estimating approximately 3,500 hours. This estimate of resources includes the Chief Auditor, Financial Auditor, IT Auditor, and Compliance Auditor.				