2017-18 Audit Plan

Secretary of State Dennis Richardson
Leslie Cummings, PhD, Deputy Secretary of State
Kip R. Memmott, MA, CGAP, CRMA, Audit Director
I am pleased to present the 2017-18 audit plan for the Secretary of State’s Office. The audit plan for 2017-18 includes audits with robust performance, financial, information technology, security, and fraud detection objectives. The plan embodies my focus on government transparency, accountability, and integrity. I am committed to using the resources of the Audits Division to better inform citizens and stakeholders of how their state government is performing and to account for public monies. The plan reflects the continuous improvement strategy of the Audits Division including real-time auditing concepts, the use of leading edge audit methodologies, a focus on measuring audit impact, and citizen-centric reporting.

Our work during the year will be enhanced by a renewed focus on collaboration with Oregon’s elected officials and management. We will be working with the Governor’s Office, Joint Legislative Audit Committee, agency executive management, and agency internal audit committees to raise the profile and impact of audit work. I look forward to using audit engagements as a primary vehicle for increasing effectiveness and transparency in the State of Oregon. I am committed to providing you with more information on how your tax dollars are spent and how your government operates, thereby increasing public trust and confidence in Oregon State government.

Sincerely,

Dennis Richardson
Secretary of State
In alignment with our citizen-centric reporting approach, the Oregon Secretary of State has developed a 2017-18 audit plan. The purpose of the work plan is to identify particular departments, agencies, programs, or other matters the Audits Division has scheduled for upcoming review.

Our office is committed to maintaining a cooperative partnership with the Governor’s Office, Legislature and State Agencies. We welcome any requests for audits or audit services not listed in the plan with the caveat that, in accordance with the State Constitution, the decision to perform any audit is at the discretion of the Secretary of State’s Office. We conduct our work in accordance with the Generally Accepted Government Auditing Standards promulgated by the Comptroller General of the United States.

The 2017-18 audit plan represents Secretary Richardson’s vision for the future of the Oregon Audits Division. This vision includes expanded audit capabilities for robust performance, financial, information technology, and security audits, in addition to fraud, waste, and abuse prevention and detection.

The Secretary’s vision also entails the use of a flexible and responsive auditing model based on a disciplined project management approach, an enhanced focus on collaboration, and communication with state elected officials, department management, state employees, and citizens, and the enhancement of the Division’s follow-up program. I share this vision and sincerely thank the Secretary, his appointees, and Audits Division staff for their commitment to public service and for their earnest efforts to ensure that the Secretary of State’s Office fulfills its responsibilities and adds value to the citizens of our great state. The Division is fully committed to continually assessing and improving our processes and services and measuring and reporting our impact.

I want to acknowledge and thank Audits Division staff for their contributions in developing the 2017-18 audit plan. Most importantly, I would like to thank the residents of Oregon for their trust in and support of the Secretary of State’s Office. This plan is crafted specifically with their interests in mind and I am confident that when the audit plan is executed, the citizens will be better served by their state government.

Sincerely,

Kip R. Memmott, MA, CGAP, CRMA
Audit Director
(503) 986-2355
kip.r.memmott@oregon.gov
The Audits Division of the Secretary of State’s Office adheres to an overall audit strategy that a high-quality and transparent annual audit plan is critical for meeting our mission.

The Division follows professional standards and guidelines for the development of the Annual Audit Plan.

These guidelines recognize that an annual audit plan and work schedule benefit the organization by establishing which agencies, programs, contracts, or other areas will be prioritized for audits on an annual basis.

**Preparing the Annual Plan**

Audits included in the annual plan are selected and prioritized using a risk assessment approach. This assessment is based upon specific risk factors related to the quality of internal controls and the estimated liability and level of exposure of various departments, programs or activities to the state.

The Division employs several techniques to identify and prioritize audits in the annual plan. These techniques include the following:

- Using industry-standard risk assessment criteria as outlined in the box to the left;
- Analyzing operations and internal controls from previous audits, including trend analyses to identify recurring audit findings and control deficiencies, as well as formal audit follow-up and outstanding recommendation tracking activities;
- Assessing operations and controls from the Division’s previous audits, including information in the state’s Comprehensive Annual Financial Reports (CAFRs), Single Audit Reports, and audit management letters;
- Considering input from elected officials, Joint Legislative Audit Committee (JLAC) members, operational management, peer state audit organizations, and members of the public;
- Reviewing the audit priorities of other leading practices government audit functions; and
- Considering current statewide events, financial conditions, and public policy issues.

In addition to the performance, financial and security audits identified using the criteria and process described above, the annual audit plan also includes specialized information technology (IT) audits, which come from the Division’s IT risk assessment.

This risk assessment establishes an inventory of IT systems comprised of four primary IT audit categories: IT business processes, business applications (either existing or under development), IT infrastructure (e.g., data networks), and IT facilities (e.g., data centers).

This plan also includes an audit horizon — a tentative schedule of audits to be conducted in the coming years (see pg. 12). Developing a horizon allows the division to be flexible and timely in addressing emerging issues while prioritizing the most critical audits.

The listing of the Division’s planned 2017-18 performance, financial and IT audits is on the following pages. The objectives identified for these audits may be adjusted after initial background research is completed. Following the listing is a description of the Division’s audit philosophy, approach, and expanded audit capabilities as well as a description of our continuous improvement initiatives.

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**Risk Assessment Criteria**

The Audits Division considers the following risk factors when developing a risk-based audit plan. These factors are based on their relevance to the nature and objectives of our audit approach and the environment in which we operate:

- Size of Audit Unit
- Compliance and Regulations
- Pending or Recent Legislation
- Complexity of Transactions
- Fiscal Sustainability
- Management Accountability
- Quality of Internal Control System
- Age of Program or Operation
- Audit History
- Public Health and Safety
- Critical Infrastructure
- Short- & Long-Term Strategic Risks
- Related Litigation
- Relevant Case Law
- Emerging Risk Areas
## 2017-18
### Audit Plan: Performance and IT Audits

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<tr>
<th>Audit</th>
<th>Entity</th>
<th>Theme</th>
<th>Audit Objective</th>
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<tbody>
<tr>
<td>Administration of State Grant and General</td>
<td>Department of Education/Portland Public</td>
<td>Education</td>
<td>This audit will examine Portland Public School District’s administration of state grants and General Fund allocation and the Department of Education’s oversight of these monies. Audit objectives will include an assessment of administrative costs and a review of grant and General Fund allocations controls and outcomes. Audit objectives may also include a comparison to leading practices for grant administration used by state departments of education and large school districts.</td>
</tr>
<tr>
<td>Fund Allocations</td>
<td>School District</td>
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<tr>
<td>Agency Governance &amp; Culture</td>
<td>Department of Revenue</td>
<td>Finance, Revenue, and Fiscal Sustainability</td>
<td>This audit will assess the Department’s operational and management culture as well as its customer service approach. Audit objectives may include a review of agency governance, staffing and personnel management practices, employee engagement and turnover, key performance indicators as well as an employee and customer satisfaction assessment.</td>
</tr>
<tr>
<td>Capitol Complex Security</td>
<td>Oregon State Police</td>
<td>Public Safety</td>
<td>This audit will examine security practices for protecting public safety within the Capitol complex. Audit objectives will include a review of security protocols, controls, and emergency response procedures as well as a leading practice benchmark assessment.</td>
</tr>
<tr>
<td>Data Center Controls</td>
<td>Department of Administrative Services</td>
<td>IT/Cybersecurity</td>
<td>This audit will review state data center controls and operations. Most state agencies rely on the data center for all of their computing needs. The SOS audits these controls on a biennial basis with the last audit performed in 2015. Audit objectives will assess the effectiveness of controls in providing a secure, reliable and stable environment for hosting state computer systems.</td>
</tr>
<tr>
<td>Energy Trust of Oregon (ETO)</td>
<td>Energy Trust of Oregon (ETO)</td>
<td>Energy, Environment and Natural Resources</td>
<td>This audit will examine the efficiency and effectiveness of the ETO in achieving its mission. Audit objectives will include a review of costs, efficiency measures and reported program outcomes. The authority to perform this audit is provided by ORS 297.300.</td>
</tr>
<tr>
<td>IT Procurement Practices</td>
<td>Statewide</td>
<td>IT/Cybersecurity</td>
<td>This audit will review the efficiency of state IT contracting practices. Audit objectives may include a review of the state IT contracting governance framework, including procurement authority exceptions, and an assessment of project quality control assurance practices and costs. The audit will also include follow up on the Stage Gate process audit performed by the SOS.</td>
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<td>(Note: This will be an integrated Audit)</td>
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## 2017-18 Audit Plan: Performance and IT Audits

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<tr>
<td>Marijuana Revenue Controls and Enforcement</td>
<td>Statewide</td>
<td>Emergent Policy</td>
<td>This audit will assess the state's regulatory framework for enforcing financial regulations resulting from marijuana production and sales. Audit objectives will include an initial risk assessment of the state’s marijuana regulatory framework and a review of the effectiveness of Oregon’s oversight of its marijuana cash-based industry. Audit objectives will also evaluate state guidance and communications to marijuana businesses.</td>
</tr>
<tr>
<td>OR-Kids System Integrity</td>
<td>Department of Human Services</td>
<td>IT/ Cybersecurity</td>
<td>This audit will assess the integrity, reliability, security and utility of the OR-KIDS information technology system. OR-Kids is a critical state information and program management system that supports child welfare programs related but not limited to: provider certification, adoption and foster care services, eligibility determinations and case management. Audit objectives will attempt to identify root causes for system weaknesses including issues identified by several SOS performance audits in recent years with the intent of permanently correcting chronic system risks and weaknesses with this critical state system.</td>
</tr>
<tr>
<td>Prescription Drug Monitoring</td>
<td>Oregon Health Authority</td>
<td>Public Health</td>
<td>This audit will assess the OHA processes and controls for monitoring opioid prescriptions within the state. Audit objectives will evaluate OHA efforts to monitor prescriber/pharmacists and utilize the Prescription Drug Monitoring Program (PDMP) and Medicaid claims data to identify and address improper activities.</td>
</tr>
<tr>
<td>SAFE Kit Processing</td>
<td>Oregon State Police</td>
<td>Public Safety</td>
<td>This audit will assess State Police processes for obtaining and processing Sexual Assault Forensic Evidence (SAFE) kits. Audit objectives will include an assessment of the Oregon State Police Forensic Services Division processes for obtaining, and processing SAFE kits including a root cause analysis for any existing processing backlog. Audit objectives will also include following up on an audit of the Forensic Services Division in December 2015 that identified a significant backlog issue.</td>
</tr>
<tr>
<td>State Agency Internal Audit Functions</td>
<td>Statewide</td>
<td>General Government</td>
<td>This audit will assess the effectiveness of state agency internal audit functions. Audit objectives will include a review of state governance, requirements, and funding for internal audit functions as well as a review of selected individual department internal audit functions on a sample basis. ORS 184.360 requires the Department of Administrative Services to coordinate internal audit activities within the state to promote effectiveness. Audit objectives will include a review of DAS internal audit coordination activities.</td>
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## 2017-18
Audit Plan: Performance and IT Audits

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<tbody>
<tr>
<td>State Budget Process</td>
<td>Governor’s Office, Department of Administrative Services and Legislative Fiscal Office</td>
<td>Finance, Revenue, and Fiscal Stability</td>
<td>This audit is the first of a series of planned audits examining the state budget process including the agency budget request process, the development of the Governor’s Recommended Budget and the Legislatively Adopted and Approved Budgets as well as a review of the Emergency Board process. Audit objectives may include an assessment of legal requirements and agency guidance, data integrity, the accuracy and validity of key performance indicators and the transparency of the budget process.</td>
</tr>
<tr>
<td>Real Time Audit</td>
<td>Department of Human Services and Oregon Health Authority</td>
<td>Public Health</td>
<td>This “Real Time” audit is the one of a series of planned audits validating the performance of the Department’s integrated eligibility program. Audit objectivities may include a review of legal requirements, agency guidance, governance and compliance, data integrity, security, systems performance, performance outcomes and customer satisfaction.</td>
</tr>
<tr>
<td>PERS System</td>
<td>Public Employees Retirement System</td>
<td>Finance, Revenue and Fiscal Sustainability</td>
<td>This “Real Time” audit is the one of a series of planned audits assessing the integrity, reliability, and security of the PERS information technology system. Audit objectives will include a review of legal requirements, agency guidance, security and business continuity capabilities.</td>
</tr>
<tr>
<td>Transportation</td>
<td>Department of Transportation and Infrastructure</td>
<td></td>
<td>This audit will assess strategic planning activities, governance approach and control framework for implementing the state transportation investment package (HB2017). Audit objectives may focus on program accountability and transparency requirements including performance measurement and reporting systems. This will be a “real-time” audit intended to assist the department to ensure it has an optimal strategic, control and accountability frameworks in place before expending these critical infrastructure monies.</td>
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<td>Audit</td>
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<tr>
<td>Statewide Single Audit: Part One, Financial</td>
<td>Statewide</td>
<td>A single audit is required by the federal government to receive federal financial assistance and has two main components, the first being an audit of the entity's financial statements and reporting on the schedule of expenditures of federal awards (SEFA) in relation to those financial statements. The FY17 audit includes audit procedures at the following state agencies: Department of Administrative Services, Department of Business &amp; Consumer Services, Oregon Business Development Department, Department of Corrections, Department of Education, Employment Department, Department of Energy, Department of Environmental Quality, Oregon Department of Fish and Wildlife, Oregon Department of Forestry, Oregon Health Authority, Higher Education Coordinating Commission, Department of Human Services, Oregon Judicial Department, Department of Justice, Oregon Liquor Control Commission, Oregon Military Department, Oregon Parks and Recreation Department, Public Defense Services Commission, Department of Revenue, Department of Transportation. The FY17 audit also includes financial statement audits at the state agencies below: Housing and Community Services Department, Oregon State Lottery, Department of Veterans' Affairs, Public Employees Retirement System*, State Accident Insurance Fund*, Common School Fund at the Department of State Lands*. * Indicates audits that we contract with CPA firms to conduct.</td>
<td></td>
</tr>
<tr>
<td>Statewide Single Audit: Part Two, Federal</td>
<td>Statewide</td>
<td>The second component is a compliance audit of major federal awards expended during the fiscal year. The FY17 audit includes audit procedures of the following federal programs: Medicaid, Childcare &amp; Development Fund (Ed, DHS), Children’s Health Insurance Program, Foster Care (DHS), LIHEAP (Housing), Treasury – Cost Allocation, Vocational Rehabilitation (DHS, CFB), Women Infants Children Supplemental Nutrition program (OHA), Workforce Investment Act/Workforce Innovation Opportunity Cluster (Education), 3 “b” Programs, Center for Disease Control, and a follow-up on prior year findings.</td>
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## 2017-18 Audit Plan: Financial Audits

<table>
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<tr>
<th>Audit</th>
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</thead>
</table>
| Financial Statement | Oregon State Treasury | FY17 Oregon Short-Term  
FY17 Oregon Local Government Investment Fund  
FY17 Oregon Intermediate Term Pool  
To review internal accounting and compliance control procedures and to obtain reasonable assurance about whether the amounts reported in the financial statements are materially correct and adequately supported. |
| Financial Statement and Compliance | Department of Consumer and Business Services: Oregon Health Insurance Marketplace | To review internal accounting and compliance control procedures and to obtain reasonable assurance about whether the amounts reported in the financial statements are materially correct and adequately supported. In addition, to verify compliance with programmatic requirements set forth by 45 CFR part 155; report on compliance as directed by the Centers for Medicare & Medicaid Services (CMS); and meet requirements of a performance audit as directed in ORS 741.220. |
| Financial Statement | Oregon Business Development Department: Special Public Works Fund and Water Fund | To review internal accounting and compliance control procedures and to obtain reasonable assurance about whether the amounts reported in the financial statements are materially correct and adequately supported. |
| Financial Statement | Oregon Department of Energy: Small Scale Energy Loan Program (SELP) | To review internal accounting and compliance control procedures and to obtain reasonable assurance about whether the amounts reported in the financial statements are materially correct and adequately supported. |
| Financial Statement | Columbia River Gorge Commission | In accordance with the Interstate Cooperative Agreement between the Washington State Auditor’s office and the Oregon Secretary of State Audits Division, we perform procedures to verify Oregon’s share of the Columbia River Gorge Commission’s joint expenditures and Commissioners’ compensation are in compliance with laws and regulations of the State of Oregon. |
| Financial Statement | Department of Environmental Quality: Clean Water Revolving Fund | To review internal accounting and compliance control procedures and to obtain reasonable assurance about whether the amounts reported in the financial statements are materially correct and adequately supported. |
## 2017-18 Audit Plan: Financial Audits

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<tbody>
<tr>
<td>Agreed Upon Procedures</td>
<td>Oregon Health Authority: Safe Drinking Water Agreed Upon Procedures</td>
<td>As required by the U.S. Environmental Protection Agency, the State of Oregon submits financial statements for the Safe Drinking Water Revolving Loan Fund. We perform procedures that are agreed to by the Oregon Health Authority (agency).</td>
</tr>
<tr>
<td>Federal Compliance</td>
<td>Department of Human Services: Supplemental Nutrition Assistance Program (SNAP)</td>
<td>This interim audit work supports the FY18 Statewide Single Audit.</td>
</tr>
<tr>
<td>Financial</td>
<td>Department of Administrative Services: Oregon State Payroll Application (OSPA) and Statewide Financial Management Application (SFMA)</td>
<td>This interim audit work supports the FY18 Statewide Single Audit.</td>
</tr>
<tr>
<td>Statewide Single Audit</td>
<td>Various</td>
<td>Keeping the State of Oregon Accountable: To summarize and issue a summary report on the results of the Statewide Single Audit financial and federal audits.</td>
</tr>
<tr>
<td>Municipal Audit</td>
<td>Local governments</td>
<td>Municipal Audit Law ORS 297.405 to 297.740 and 297.990 requires local governments, including counties, cities, school districts, and special districts, to prepare and submit annual reports. Our annual audit summarizes the financial reporting activities of Oregon’s municipal corporations for fiscal year ending June 30th, 2017.</td>
</tr>
<tr>
<td>Financial Related</td>
<td>Department of Revenue</td>
<td>Based on input from the Legislative Fiscal Office, to conduct risk assessments of areas below and possibly audits as deemed necessary:</td>
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<tr>
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<td>• Other Funds account(s) responsible for handling the administrative expenditures of the agency.</td>
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<td>• County Assessment Function Funding Account and the County Assessment and Taxation Fund for receipt and use of monies.</td>
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<td>• Property Tax Division's receipt and use of monies.</td>
</tr>
<tr>
<td>Financial Related</td>
<td>Oregon Business Development Department: Oregon Growth Account</td>
<td>To review the purpose of the account and whether the investment strategy is appropriate for the Education Stability Fund.</td>
</tr>
<tr>
<td>Audit</td>
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<tr>
<td>Connect Oregon</td>
<td>Oregon Department of Transportation</td>
<td>Infrastructure and Transportation</td>
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<tr>
<td>Conservatorship Program Administration</td>
<td>Department of Veteran's Affairs</td>
<td>Veterans</td>
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<tr>
<td>Contract Administration</td>
<td>Department of Human Services</td>
<td>Vulnerable Populations</td>
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<tr>
<td>Developmental Disabilities Services</td>
<td>Department of Human Services</td>
<td>Vulnerable Populations</td>
</tr>
<tr>
<td>Education Violence Prevention and Readiness</td>
<td>Department of Education</td>
<td>Education</td>
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<tr>
<td>Juvenile Justice Program Administration</td>
<td>Oregon Youth Authority</td>
<td>Public Safety</td>
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<tr>
<td>Local Government Procurement Practices</td>
<td>Statewide</td>
<td>Procurement and Contracting</td>
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### 2018-19 Audit Horizon

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<tbody>
<tr>
<td>Mental Health Treatment Programs</td>
<td>Statewide</td>
<td>Public Health</td>
<td>The audit will assess the effectiveness of state administered mental health treatment programs. Audit objectives will include an assessment of the state governance structure for mental health services including a review of jail diversion and housing programs for mentally ill individuals.</td>
</tr>
<tr>
<td>Mobile Devices</td>
<td>Statewide</td>
<td>IT/ Cybersecurity</td>
<td>The audit will assess the effectiveness of statewide mobile device administration and management. Audit objectives may include a review of provisioning and de-provisioning controls, procedures governing lost or stolen devices, wireless services payments and costs and performance measurement.</td>
</tr>
<tr>
<td>Oregon Public Employees Retirement Fund (OPERF)</td>
<td>Oregon Investment Council</td>
<td>Fiscal Stability</td>
<td>This audit will assess Oregon Investment Council (OIC) oversight and direction regarding the Oregon Public Employees Retirement Fund. Audit objectives will include an evaluation of OIC governance structure, OPERF monitoring activities and decisions and a review of fund performance.</td>
</tr>
<tr>
<td>Personally Identifiable Information Protection and Privacy Breach Response</td>
<td>Statewide</td>
<td>IT/ Cybersecurity</td>
<td>This audit will assess the department’s governance, processes, and controls for protecting employee and customer personally identifiable information (PII) and responding to privacy breaches.</td>
</tr>
<tr>
<td>Practices for Agency Billing</td>
<td>Department of Justice</td>
<td>Legal</td>
<td>This audit will assess the effectiveness of the General Counsel Division’s billing and cost allocation practices. Audit objectives will include a review the Department’s billing and cost recovery structure for legal services rendered to state agencies and officials. Objectives will assess whether state legal costs for agency support are equitable and reflective of leading practices.</td>
</tr>
<tr>
<td>Prisoner Re-Entry Programs</td>
<td>Department of Corrections</td>
<td>Public Safety</td>
<td>The audit will examine the department’s efforts to prepare prisoners for re-entry into society and to reduce recidivism. Audit objectives may include a review of DOC and county supports to prisoners after they have been released and an assessment of housing costs for repeat offenders.</td>
</tr>
<tr>
<td>Property Management</td>
<td>Department of Administrative Services</td>
<td>Infrastructure and Transportation</td>
<td>This audit will assess the effectiveness of the department’s management of state property. Audit objectives may include reviewing controls for the disposal of surplus property, rental fees, and whether incentives/oversight exists for DAS to obtain the best deal for the state.</td>
</tr>
<tr>
<td>Sex Offender Monitoring and Compliance</td>
<td>Oregon State Police</td>
<td>Public Safety</td>
<td>The audit will assess State Police activities to ensure compliance with sexual offender registration and monitoring requirements. Audit objectives will review controls for ensuring children are protected from sex offenders.</td>
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The Strategic SOS Audit Approach

The Audits Division adheres to an overall strategy focused on impact, transparency, and citizen-centric reporting. The concepts of flexibility, responsiveness, innovation, diversity, and transparency are core tenets of the Division’s audit philosophy.

Per the Constitution, the Secretary of State serves as the State Auditor. While state departments are key stakeholders, it is the citizens — and their elected representatives — who are the Office’s primary constituency. The 2017-18 audit plan reflects this citizen-centric focus.

The Division’s audit philosophy is focused on providing diverse and widespread audit coverage of state departments, programs and services. While all state functions provide important services, the Division’s philosophy is particularly focused on matters involving public safety, public health, vulnerable populations, cybersecurity, physical security, education, and fiscal transparency and accountability.

The Division uses a thematic framework to ensure audit work examines state operations in a systemic and holistic manner. These audit “theme” areas are generally aligned with the legislative committees. Themes include, but may not be limited to:

- Cybersecurity/Information Technology
- Economic Development
- Education
- Emergent Policy
- Energy, Environment and Natural Resources
- Finance, Revenue and Fiscal Sustainability
- General Government
- Infrastructure and Transportation
- Legal
- Procurement and Contracting
- Public Health
- Public Safety
- Social Justice
- Veterans
- Vulnerable Populations
- Workforce Management

The annual work plan facilitates an efficient allocation of limited audit resources on the basis of risk, provides a flexible mechanism for managing competing audit needs, eliminates the potential for overlapping of audits with other audit organizations, and provides a foundation for obtaining sufficient funds required to execute our mission.

The plan demonstrates the Division’s emphasis on being agile and responsive to critical issues facing the state, including matters that arise during the year. While the Audits Division is committed to completing the audits listed in the plan, our risk assessment process is continuous and a key audit plan strategy is to be responsive and timely with audit work. As such, the plan is a flexible document and the Division will redirect audit resources to address critical emerging issues facing the state as necessary.

Legal Audit Model Framework
The state constitution authorizes the Secretary of State’s Office to conduct audits of all state government entities. Several key components serve as the cornerstone for the SOS audit model.

The state constitution requirement for the Secretary of State’s Office to comply with these standards, combined with other key components making up the model’s framework, ensures that Oregon has one of the most structurally independent government audit functions in the country.

Elected Secretary
The Secretary of State is an elected official who leads the Office independently from other elected officials and state operational management.

Comprehensive Access
The State Constitution authorizes the Secretary of State to have access to all officers, employees, records, and property maintained by the State and to all external entities, records, and personnel related to their business interactions with the State.

Adherence to Professional Audit Standards
The Audits Division conducts all audits in accordance with Generally Accepted Government Auditing Standards (GAGAS) promulgated by the United States Comptroller General.

Joint Legislative Audit Committee (JLAC)
The Secretary of State works closely with the Joint Legislative Audit Committee (JLAC) to communicate audit results and to ensure optimal audit impact. ORS 171.580 establishes JLAC as a core legislative committee whose responsibility is to “review all audits and make recommendations for change.”
The 2017-18 audit plan reflects a strong emphasis on the expansion of audit capabilities and services within the Audits Division. The Division is comprised of committed, experienced and exceptional professionals, many of whom have attained advanced academic degrees and professional certifications. As such, the Division is well positioned to expand our audit capabilities and increase our impact.

The following highlights the Division’s strategy for expanding our audit capability and, thereby, our audit impact and value.

**Diverse Audits and Increased Productivity**
The audits listed in the plan focus on ensuring we execute a broad range of impactful audits examining a plethora of objectives and covering a broad swath of state government operations.

Some of these audits are broadly scoped and will require significant resources and have longer cycles, while others have narrower scopes and shorter cycles.

This approach will result in greater productivity from the Division, thereby increasing our impact and audit coverage. This approach is well-aligned with the Division’s focus on agility and timeliness.

**Leading Practice Audit Methodologies**
The audits listed will be executed using leading-edge audit methodologies.

The Division has initiated a continuous improvement project focused on enhancing our audit methodologies and ensuring consistent application of these methodologies across audit projects.

Key continuous improvement objectives in this regard will include the identification of well-respected leading practice public policy entities such as think tanks, advocacy groups and academic institutions.

Additionally, we will be enhancing and standardizing our benchmarking, survey and sampling methodologies. The Division will also increase our use of data analytics and GIS information as key methods. Finally, each performance audit will include an information technology control and security assessment performed by the Division’s IT audit team. This reflects a leading industry practice.

**Real-Time Auditing**
In alignment with our strategic focus on being timely and responsive, the Division will be conducting “real-time” audits. “Real-time” auditing focuses on evaluating front-end strategic planning, service delivery processes, controls and performance measurement frameworks before or at the onset of significant program or public policy implementations by state agencies.

A common critique of professional auditors is that they do not provide timely information. In this paradigm, auditors can be perceived as providing information on issues that have already been identified and as providing information too late to prevent negative and costly outcomes. This is especially the case for large scale state projects and expenditures.

To ensure greater impact and value to the citizens and state officials, the plan will include “real-time” audits going forward, including such audits in this year’s plan of the Departments of Transportation and Human Services as well as the Oregon Health Authority and the Public Employees Retirement System.

**Performance Auditing**
The plan reflects a strong emphasis on performance auditing, particularly in the areas of program effectiveness and assessing the economy and efficiency of various state departments and programs.
Audit Capabilities and Functions

Some of these audits include programs and activities that cross over and extend beyond individual departments and programs. These audits will focus on the state’s general governance structure for managing these activities to ensure that control structures are in place and that efficient and effective communication processes exist between operating departments.

Although performance audits traditionally focus on assessing efficiency, effectiveness, and economy, the Division is becoming increasingly interested in equity. As such, the audit plan incorporates some elements of social justice and equity. A key objective of these audits is to assess the equity of service delivery to ensure all citizens receive equal treatment in terms of government services, interactions and enforcement activities.

Finally, the plan includes an audit objective focused on auditing organizational culture. The intent of these audits is to assess organization governance including personnel management and customer service. The 2017-18 plan includes a culture audit of the Department of Revenue.

Financial Auditing

The audit plan covers the financial condition and financial accounting and management activities of the state. Additionally, the SOS provides oversight of municipal government financial management and audits activity.

One of the main responsibilities of the Audits Division is to conduct financial audits. Financial audits provide assurance as to whether a state agency has followed generally accepted accounting principles in preparing its financial records and compiling its financial statements, and whether the amounts presented in those financial statements are materially complete and accurate.

The Division annually audits the state’s financial statements and federal programs at state agencies to ensure agencies are complying with financial reporting and federal program requirements.

The largest financial audit conducted by the Division is the annual statewide single audit, which includes an audit of the state’s financial statements included in the state’s Comprehensive Annual Financial Report and an audit of the state’s internal controls and compliance with federal program requirements. We perform the single audit to satisfy the Legislature, the governor, and citizens that the state’s financial statements are presented fairly and that significant deficiencies in its fiscal systems are identified and corrected.

We also conduct this audit to fulfill the federal government’s mandate to audit the administration and use of more than $11 billion in federal monies provided to Oregon each year.

Information Technology, Cybersecurity and Security Auditing

The information technology (IT) audits selected for this year’s plan include a review of an existing system and a planned implementation at the Department of Human Services impacting programs that serve at-risk children, families, and adults.

We will also review the Department of Administrative Services’ cybersecurity and management of computer infrastructure at the state’s data center, which provides a variety of services to nearly every agency in the state.

The plan also includes a security audit examining Capitol Complex security.
Integrated Auditing
The audit plan includes a focus on strengthening and improving organizational governance, internal control environments, transparency, quality of services, financial management and reporting, and fraud prevention activities.

We plan to blend attributes of financial audit, performance audit, IT audit, and contract review activities, where appropriate, to expand our aggregate impact. Our goal is to expand and enhance our audit coverage while championing our staff and providing them growth opportunities. The plan includes an integrated audit examining the state’s information technology procurement practices, including planning and contract terms related to quality assurance controls and costs for IT projects.

All audits executed by Division will include IT and general security objectives reflecting a strategic element of the integrated audit approach.

Assurance-Based Auditing
In alignment with the Division’s citizen-centric strategy that is based upon transparency, accountability and public education, the Division will include assurance-based findings in our audit reports, when possible.

In addition to identifying issues and problems with government operations, the Division believes we have a responsibility to report on government effectiveness and successes, based on audit evidence. This approach places audit work within context and, thereby, helps to enhance collaborative relationships with audited entities and build public trust in government.

Assurance-based auditing is commonplace in the private sector as executive management and stockholders want to know what is working as well as what is not working within their organizations so that can execute effective strategically planning and better prioritize and allocate resources. The Division intends to have the same effect with our approach.

Robust Audit Follow-Up Program
The Division is enhancing our audit follow-up program with increased hours for audit follow-up, trend analysis, and reporting activities.

One key measure of the general effectiveness of an audit function is the audit recommendation implementation rate. This rate is an indicator as to whether an organization is using information provided by audit reports to mitigate or reduce identified risks and to enhance performance and the economy and efficiency of operations.

The Division is strengthening our audit follow-up program, which includes more in-depth audit work to verify that appropriate and timely corrective actions have been taken to address prior audit findings and mitigate identified risks. We will also issue formal audit follow-up reports. Our audit follow up strategy includes performing periodic trend analysis within and across state departments and programs in terms of management responsiveness and “tone at the top” related to audit findings and recommendations.

The audit follow-up program will also assist the Division with its on-going performance goal of implementing continuous improvement activities, in this case in terms of the quality and feasibility of audit recommendations.
Hotline Administration and Anti-Fraud Focus
The Division administers the State’s Fraud, Waste and Abuse Hotline. The Government Waste Hotline was established in 1995 for public employees and members of the public to report waste, inefficiency or abuse by state agencies, state employees or persons under contract with state agencies.

The Division is currently enhancing our approach and staffing for administering the hotline and plans to expand our fraud- and waste-focused audit work. Although fraud detection is not a primary responsibility of the Secretary of State’s Office, as the state’s operational management is responsible for establishing internal controls to detect and prevent fraud, through our administration of the hotline, audits and other services, we help assure that State assets are properly safeguarded.

In addition to assessing fraud risk, audits in the plan will have objectives assessing the effectiveness of internal controls established by management to detect and prevent fraud. By highlighting potential gaps within internal control systems, the opportunity for fraud can be reduced.
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Photograph of the Oregon State Capitol comes from the Oregon Department of Transportation.

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