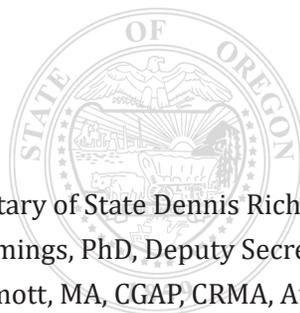




Oregon Secretary of State
Audits Division

2019-20 Audit Plan



Secretary of State Dennis Richardson
Leslie Cummings, PhD, Deputy Secretary of State
Kip R. Memmott, MA, CGAP, CRMA, Audits Director

From the
**Secretary
of State**
February 2019

I am pleased to present the 2019-20 Audit Plan for the Secretary of State's Office.

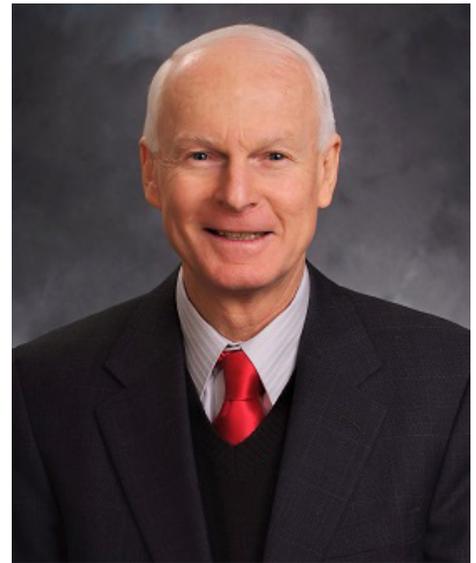
As with last year, the audit plan includes audits with robust performance, financial, information technology, and cybersecurity objectives. The plan continues to embody my focus on government transparency, accountability, and integrity. I remain committed to using the resources of the Audits Division to better inform citizens and stakeholders of how their state government is performing and utilizing their investments for Oregon services.

I am proud to report the Audits Division successfully deployed a number of continuous improvement strategies, including real-time auditing concepts, the use of leading-edge audit methodologies, and a focus on measuring audit impact and citizen-centric reporting. In the coming year, I expect the division will continue to enhance these activities while further broadening the reach and impact of our audit work.

During the coming year we will not only improve upon the initiatives of last year, but will include auditing high-risk areas within state government that may have previously been overlooked. The decision to examine these areas is based on the division's robust risk assessment methodology and ongoing concerns I hear from stakeholders and constituents.

For example, this year's plan includes audits examining employee harassment, mental health, health care costs for state workers, agency management practices, and education support programs for students with disabilities. In addition, agencies that are rarely audited, such as the Department of Justice, will receive a review.

I remain committed to providing you with information on how your tax dollars are spent and how your government operates,



thereby increasing public trust and confidence in Oregon State government.

Respectfully,

A handwritten signature in black ink that reads "Dennis Richardson". The signature is written in a cursive, flowing style.

Dennis Richardson
Secretary of State

Table of Contents

Overview of Annual Audit Plan	3
Strategic SOS Audit Approach	4
Performance and IT Audits	5
Additional OAD Programs	8
Financial Audits	9
Audit Strategies and Capabilities	12

From the Director

In alignment with our citizen-centric reporting approach, the Oregon Secretary of State has developed the 2019-20 Audit Plan. The purpose of the plan is to identify which agencies, programs, and other operational areas will be examined by the Audits Division during the year.

The plan enhances the division's strategic focus on deploying innovative audit approaches to ensure audit impact and value. This strategy includes expanded capabilities to execute robust performance, financial, and information technology audits and audit follow-up activities.

This is the second annual audit plan issued during Secretary Richardson's term. As with last year's audit plan, we publicly release these plans in alignment with our values of transparency and accountability.

I am pleased to report last year's audit plan has been fully executed. The audits completed were diverse and had substantive impact. During the previous biennium, the Audits Division issued over 60 audits containing over 180 audit recommendations. Audited officials agreed with over 99% of these recommendations, which spanned a diverse range of audit topics and types. We implemented a robust audit follow-up program and released several follow-up audit reports.

The division's risk assessment used to develop the 2019-20 Audit Plan is described herein. A key risk assessment methodology is focused on obtaining audit plan input and suggestions from key stakeholders, including the Governor's Office, legislators, agency directors, state employees, and citizens. The input we garner is instrumental in ensuring maximum audit impact and value. While we welcome and solicit such input, per the State Constitution, the final decision to perform any audit is at the sole discretion of the Secretary of State.



I want to sincerely thank Secretary Richardson, his appointees, the Joint Legislative Audit Committee, and the Audits Division team for their commitment to public service and for their outstanding efforts to ensure the Audits Division fulfills its responsibilities and adds real value to the citizens and residents of our great state. The division is fully committed to assessing and improving our processes and reports.

Most importantly, I want to thank Oregonians. This plan is crafted specifically with their interests in mind, and I am confident that when the plan is executed, all Oregonians will be better served by their state government.

Respectfully,

Kip Memmott
Audits Division Director

Overview of the Annual Audit Plan

The mission of the Secretary of State Audits Division is to protect the public interest while helping improve Oregon government. Key to this mission is the development and issuance of a high-quality and transparent annual audit plan. We follow professional guidelines in developing this plan.

The annual audit plan establishes which agencies, programs, and topics will be prioritized for audits on an annual basis.

The plan demonstrates our 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 strategy is to be responsive and timely with audit work. As such, the plan is a flexible document and we will redirect audit resources to address critical issues facing the state as necessary.

Preparing the Audit Plan

The audits included in the annual plan are selected and prioritized using a risk-assessment approach. This assessment is based on specific risk factors related to the quality of internal controls and the liability and level of exposure to the state of various agencies, programs, or activities.

We employ several techniques to identify and prioritize audits in the annual plan, including:

- Using industry-standard risk assessment criteria;
- Reviewing previous audits analyzing agency operations and internal controls, including trend analyses to identify recurring audit findings and control deficiencies, as well as audit follow-up and recommendation tracking activities;
- Assessing agency operations and controls from the state's Comprehensive Annual Financial Reports (CAFRs), Single Audit

Reports, and audit management letters;

- Considering input from elected officials, members of the Joint Legislative Audit Committee (JLAC), agency management, other public sector audit organizations, and members of the public;
- Reviewing the audit priorities and work products of other leading government audit functions;
- Considering topics informed and suggested by research and scoping work from Audits Division staff; and
- Considering current statewide events and trends, financial conditions, and public policy issues, including emerging policy.

The annual audit plan risk-assessment process facilitates an efficient allocation of limited resources based on risk; provides a flexible mechanism for managing competing needs; limits the potential for overlapping work with other audit organizations; and provides a foundation for obtaining sufficient funds required to execute our mission.

The following pages include a list of our planned performance, financial, and information technology (IT) audits for the coming year. We also list programs that inform and improve upon our audit work, including our data analytics portfolio and ongoing recommendation follow-up program. Following the list is a description of our audit philosophy, approach, and audit capabilities as well as a description of our continuous improvement initiatives.

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 audited agency or program
- 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- and long-term strategic risks
- Related litigation
- Relevant case law
- Emerging risk areas

2019-20

Audit Plan: Performance and IT Audits

Audit Topic	Agency	Potential Scope and Objectives
Child Protective Services (CPS)	Department of Human Services	This audit will build upon issues identified by a Secretary of State audit issued in 2017 examining DHS's foster care program. This audit will assess DHS's CPS program and selected services to determine their cost effectiveness and to identify outcomes and impacts on children and families. The audit will review the federal Family First Prevention Services Act to determine any "real-time" ramifications on CPS policies and activities. The audit may include the following objectives: following up on prior audit work examining case worker recruitment, training, and retention; reviewing CPS interactions with both the Department of Justice and law enforcement; examining child removal criteria to determine if it is equitably and consistently applied to children of all ethnicities; and assessing the processes for cases involving dependency and delinquency issues.
Employee discrimination and harassment prevention controls	Department of Administrative Services	This audit will address an emerging national and state issue that has fiscal, legal, and reputational risks and is core to human capital management and operational culture. The audit may review current controls and practices for receiving, investigating, and resolving complaints while also protecting employees. The audit may also assess intergovernmental communications and interactions (e.g., DAS Human Resource Office, Department of Justice) to prevent and address instances of discrimination and harassment.
General Counsel: Business Transactions Section	Department of Justice	This audit will review DOJ's processes and activities related to procurement and contract review, and support services provided to state agencies. Objectives may include assessing whether these services are aligned with leading practices and if billing for these services is appropriate and transparent.
High School Graduation and College and Career Readiness Act (Measure 98)	Department of Education	ORS 327.895 requires a program audit of the uses and effectiveness of the High School Graduation and College and Career Readiness Fund. The Act allocates funds to several programs including: career and technical education, college-level educational opportunities, and drop-out prevention strategies. The initial audit will focus on governance and controls and is intended as a "real-time" audit owing to the early status of the program's implementation. Subsequent audits will examine the Act's program areas.
IT modernization	Oregon Employment Department	This audit will assess OED's ongoing efforts to modernize key IT systems. The audit is intended as a "real-time" audit.

2019-20

Audit Plan: Performance and IT Audits

Audit Topic	Agency	Potential Scope and Objectives
Mental health treatment services	Oregon Health Authority	The audit will assess the effectiveness of how OHA oversees and coordinates the delivery of mental health services. While the audit is primarily focused on services provided by OHA's Health Systems Division and the coordinated care organization model, it may include an objective to assess the effectiveness of interagency and intergovernmental mental health service delivery, as several other government entities also have responsibilities for delivering these services. The audit may also seek to determine mental health service costs and evaluate the effectiveness of these services. The audit will include a "change of director" transition objective that will help to provide a baseline for the new Behavioral Services Director.
Personally identifiable information protection and privacy breach response	Department of Administrative Services, Office of the State Chief Information Officer	This audit will assess DAS's governance, processes, and controls for ensuring agencies protect employee and customer personally identifiable information (PII) and respond to privacy breaches.
Regional solutions program	Statewide	By Executive Order 11-12, the Governor established the Oregon Solutions Network to facilitate economic development throughout the state. This audit will assess the efficacy and effectiveness of the program approximately eight years after the order was issued. Audit objectives may include a review of grant, loan, and incentive programs, an examination of regional centers and advisory committees, and a review of program governance and administrative costs.
Safe drinking water programs	Oregon Health Authority	This audit will assess OHA's safe drinking water program. In 2018, the City of Salem and surrounding areas experienced a severe drinking water crisis that lasted for several weeks. This audit will assess state programs that protect drinking water and respond to public health issues affecting the safety of drinking water. The audit may include a review of intergovernmental efforts between state agencies and local governments, using the Salem drinking water issue as a case study.
State property management	Department of Administrative Services	This audit will assess the efficacy of DAS building management practices. Possible areas of focus include acquisition, occupancy, safety, security, maintenance, and real estate activities. A primary audit objective will be to identify cost savings and revenue enhancement opportunities.

2019-20

Audit Plan: Performance and IT Audits

Audit Topic	Agency	Potential Scope and Objectives
State worker health care costs	Public Employee's Benefit Board (PEBB), Oregon Educators Benefit Board (OEBB)	Employee health care costs have risen significantly on a national basis over the past few decades for both employers and employees. A recent study found that, on average, Oregon's total premium costs for state employee health benefits are higher than Washington, Idaho, and Nevada. State employees in Oregon contribute a lower share of premium costs on average than state employees in California, Washington, Idaho, and Nevada; health plans for Oregon state employees have higher premium costs and lower employee contribution shares than health plans for teachers in Oregon. This audit will assess current state employee health care costs while also considering other forms of compensation. It will identify possible recommendations for reducing health care costs for both the state and individual employees.
Students with special needs programs	Department of Education, selected school district(s)	This audit will examine support and special education programs intended for students with disabilities. The audit will also examine the implementation of state special education and support programs at a selected school district(s).
Transportation Safety Division	Oregon Department of Transportation	The audit will examine project management controls as implemented and executed by the Transportation Safety Division. The audit may include an objective examining the division's project manager recruitment, training, and retention practices. Additionally, the audit may include an objective reviewing contract administration practices as related to project management responsibilities and activities.

2019-20

Audit Plan: Additional OAD Programs

Audit Topic	Agency	Potential Scope and Objectives
Data analytics program	Statewide	The data analytics program will assess ways in which data can be used to identify potential areas of risk or abuse, enhance current audits underway, or identify future audit topics or projects. The program will analyze and map data using tools such as Audit Command Language (ACL) and Geographic Information Systems (GIS). Some of the work may complement our advisory report regarding fraud in the Supplemental Nutrition Assistance Program (SNAP), issued in 2018.
IT security controls assessment program	Department of Education, Oregon Health Authority and Department of Human Services, Department of Administrative Services, and Oregon State Police	The division is executing an enhanced IT audit security controls program. The program will utilize a risk assessment process to identify agencies and programs for inclusion. The team anticipates completing four reviews during the 2019-20 plan period at the agencies listed.
Performance audit follow-up program	Statewide	In alignment with the division's enhanced audit follow-up program and the Audit Accountability Act, the division will execute a number of audit follow-up engagements, including an enhanced follow-up of the performance audit issued in 2016 that examined state fire risks and costs.
Special projects	Advisory report project	A bank of hours will be allocated for emergent and special projects throughout the year.

2019-20

Audit Plan: Financial Audits

Audit Topic	Agency	Potential Scope and Objectives
Statewide Single Audit: Part One, Financial	Statewide	<p>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 State’s financial statements and reporting on the schedule of expenditures of federal awards (SEFA) in relation to those financial statements. Based on prior year audits, the FY19 audit will most likely include audit procedures at the following agencies:</p> <ul style="list-style-type: none"> Department of Administrative Services Department of Business & 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 Oregon Department of Transportation <p>The FY19 audit will also include financial statement audits at the following agencies.</p> <ul style="list-style-type: none"> 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* <p>*Indicates audits that we contract with CPA firms to conduct.</p>
Statewide Single Audit: Part Two, Federal	Statewide	<p>The second component is a compliance audit of major federal awards expended during the fiscal year. During the planning phase of the FY19 audit, we will determine the federal programs to audit.</p>

2019-20

Audit Plan: Financial Audits

Audit Topic	Agency	Potential Scope and Objectives
Financial Statement	Oregon State Treasury	FY19 Oregon Short-Term FY19 Oregon Local Government Investment Fund FY19 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.
FY19 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.
FY18 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.
FY18 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.
FY19 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.
FY18 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.
FY18 Agreed Upon Procedures	Oregon Health Authority: Safe Drinking Water Agreed Upon Procedures	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).

2019-20

Audit Plan: Financial Audits

Audit Topic	Agency	Potential Scope and Objectives
Federal Compliance	Department of Human Services: Supplemental Nutrition Assistance Program (SNAP)	This interim audit work supports the FY19 Statewide Single Audit.
Financial	Department of Administrative Services: Oregon State Payroll Application and Statewide Financial Management Application	This interim audit work supports the FY19 Statewide Single Audit.
Statewide Single Audit	Various	Keeping the State of Oregon Accountable: To summarize and issue a summary report on the results of the FY18 Statewide Single Audit financial and federal audits.
Municipal Audit	Local governments	ORS 297.405 to 297.740 and 297.990 (Municipal Audit Law) require local governments, including counties, cities, school districts, and special districts, to prepare and submit annual reports. Our annual report summarizes the financial reporting activities of Oregon's municipal corporations for prior fiscal year.
Risk Assessments and Fiscal Resource Reviews	Various	To review agency records and programs to identify fiscal and program risks.
Medical Board processes	Oregon Medical Board	This audit will examine the Oregon Medical Board's licensing, complaint, investigations, and appeals processes.
Oregon Public Employee Retirement System Financial Condition	Oregon Public Employee Retirement System	This audit will provide a current picture of PERS enrollment, funding, and liabilities. Additionally, the audit will examine and seek to identify other practices for addressing unfunded liability in public retirement systems and the risks associated with it. The audit will leverage analytical work developed by the Legislative Fiscal Office examining PERS as well as other experts and actuarial studies.
Travel Oregon	Oregon Tourism Commission	This audit will examine Travel Oregon's administrative expenses, procurement, and contract administration practices.

The Strategic SOS Audit Approach

The Audits Division strategy focuses on impact, transparency, and citizen-centric reporting. Central concepts of our audit philosophy include flexibility, responsiveness, innovation, diversity, and transparency.

Per the Oregon Constitution, the Secretary of State serves as the State Auditor. While state agencies are key stakeholders, the citizens — and their elected representatives — are our primary constituency. The audit plan reflects this citizen-centric focus.

Our audit philosophy is focused on providing diverse and widespread audit coverage of state agencies, programs, and services. While all state functions provide important services, our philosophy is particularly focused on matters involving public safety, public health, vulnerable populations, cybersecurity, education, and fiscal transparency and accountability.

We use a strategic focus framework

to ensure audit work examines state operations in a systemic and holistic manner. These strategic focus areas are generally aligned with legislative committees. Areas include:

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

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 Secretary of State audit model.

The statutory requirement for the Secretary of State's Office to comply with 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."

Audit Strategies and Capabilities

Last year's audit plan reflected a strong emphasis on the expansion of audit capabilities and services within the Audits Division by leveraging the experience and professionalism of division staff and by introducing some new audit strategies, concepts, processes, and tools. The 2019-20 Audit Plan reflects our intention to further improve and enhance our existing capabilities and services to optimize our impact and value.



Assurance-Based Auditing

In alignment with our citizen-centric strategy based upon transparency, accountability, and public education, we 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 helps to enhance collaborative relationships with audited entities and build public trust in government. Last year's plan, for example, included an audit that highlighted the successes of the Oregon State Police in reducing its backlog of sexual assault evidence kits.

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. This allows them to execute effective strategic planning and better prioritize and allocate resources. We intend to have the same effect with our approach, which we will continue to refine and enhance.

Diverse Audits and Impactful Objectives

As with last year's plan, the audits listed in the 2019-20 Audit Plan focus on executing a broad range of impactful audits that examine a variety of objectives and cover a broad range of government agencies, programs, and activities.

As is standard, some of these audits are broadly scoped, will require significant resources, and have longer cycles. Others have narrower scopes and shorter cycles.

This approach has resulted in greater productivity from the division and a measurable increase in impact and audit coverage. For example, in 2018, we conducted audits on: monitoring of spending and systemic obstacles to student achievement at both the Department of Education and the Portland Public School district; brought attention to significant deficiencies within Oregon's foster care system, which led to state officials pledging more resources; and identified a critical tool, the Prescription Drug Monitoring Program, which could be better used to combat the opioid epidemic in the state.

As one example and measure of the audit impact from last year's plan, audited entities agreed with over 99% of audit recommendations.

In keeping with our goal of impactful audits, the division has requested authority and funding from the Legislature to staff three full-time auditors dedicated solely to auditing Oregon's Medicaid program. Medicaid is a third of the state's budget and one of the highest risk areas both nationally and within Oregon government. We plan to leverage the specialized expertise of our staff to audit this high-risk area, where we expect to find opportunities for substantial savings and to mitigate the risk of fraud. The Medicaid work we performed in last year's plan was highly impactful and recognized both by the U.S. Comptroller General in

Audit Strategies and Capabilities

congressional testimony and by the National State Auditors Association, who awarded our work with their 2018 innovation award.



Financial Auditing

The audit plan leverages the long-standing professionalism and institutional knowledge of our staff with audit work covering the financial condition and accounting and management activities of the state.

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 we conduct 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.

The Audits Division also administers Municipal Audit Law, which requires Oregon's local governments to submit annual financial reports to the Secretary of State. In the interest of transparency and accountability, we assist with understanding and complying with the law and making information available to the public about the financial condition of municipalities.



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.

We have enhanced our approach and staffing for administering the hotline. An internal assessment and evaluation of the hotline has led to changes that will improve its effectiveness and will allow us to be more efficient and nimble in responding to hotline complaints, further strengthening our anti-fraud focus.

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.

Audit Strategies and Capabilities



IT and Cybersecurity Auditing

The audit plan also addresses the growing risks associated with IT and cybersecurity with a strong emphasis on specialized IT audits.

In addition to audits addressing system modernization and the protection of personally identifiable information, the division will build upon and improve our recently launched cybersecurity controls assessment program.

These assessments were previously envisioned as audit work to be conducted alongside ongoing performance audits. In recognition of the risks associated with cybersecurity, and to strengthen our own audit capability in this arena, these assessments will now be released as separate audits. The division has issued two of these assessments to date; we anticipate conducting four additional assessments during the 2019-20 plan period.



Integrated Auditing

Last year's audit plan pioneered an auditing approach that blends attributes of financial, performance, and IT auditing, as well as contract review activities, to expand our aggregate impact.

This approach was successful in expanding and enhancing our audit coverage while leveraging the expertise of our staff and providing them with growth opportunities. Our first integrated audit of IT procurement activities in the state identified an opportunity for

possible savings of hundreds of millions of dollars, should the state modernize its procurement systems.

We plan to continue building upon and further improving this approach with an audit reviewing the processes and activities related to procurement, contract review, and support services provided to state agencies by the Department of Justice.



Leading Practice Audit Methodologies and Data Analytics Portfolio

As noted, the division issued a broad range of audits examining a plethora of complex and highly technical objectives and subject matter. The division leverages leading practice audit methodologies to execute these audits.

For example, last year's plan included an audit of culture at the Department of Revenue that employed a social science tool never before used in an audit context. This tool has been successfully used by more than 10,000 organizations worldwide to address and improve organizational culture.

In alignment with our continuous improvement strategy, the division retained the services of a consultant to assess the effectiveness of our existing methodologies and further explore opportunities to implement leading-edge methods and innovations. The use of methodologists is an industry best practice employed by the Government Accountability Office as well as several other state audit shops.

We also plan to expand our work in data analytics to benefit our staff internally as well as inform the work being done in other state agencies. Data analytics is the

Audit Strategies and Capabilities

process of inspecting, cleansing, transforming, and modeling data with the goal of discovering useful information, informing conclusions, and supporting decision-making.

Our work in this area has already drawn national attention — auditors in our office have used data analytics in partnership with the Department of Health and Human Services and the FBI to identify fraud within the Supplemental Nutrition Assistance Program, otherwise known as SNAP. We plan to expand resources dedicated to these efforts to further our capacity for data analytics.



Performance Auditing

The plan reflects a strong emphasis on one of our particular strengths — performance auditing, particularly in the areas of program effectiveness and assessing the economy and efficiency of various state agencies and programs.

Last year’s audit plan included audits that received national attention and acclaim, including examining eligibility redeterminations for Oregon’s Medicaid program and an audit highlighting the deficiencies of the internal audit functions at state agencies.

This year’s plan will continue this practice and includes multiple audits examining critical areas of state government that may previously have been overlooked, including services for students with disabilities, employee discrimination and harassment, and legal services provided to state agencies.

Real-Time Auditing

In alignment with our strategic focus on being timely and responsive, the division will continue 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 program or policy implementations by state agencies.

A common critique is that audits 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.

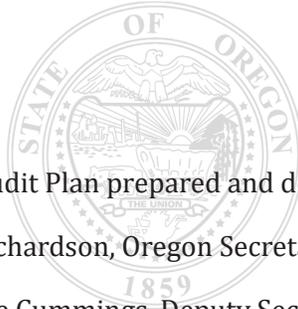
Last year’s audit plan included a real-time audit of the Oregon Department of Transportation as the agency was implementing a multi-million dollar transportation investment package. To ensure continuing impact and value, this year’s plan includes several real-time audits, including one of IT modernization efforts at the Oregon Employment Department.



Robust Audit Follow-up Program

As indicated in last year’s plan, we successfully deployed an improved and strengthened audit follow-up program. This program 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. This work culminates in the issuance of formal audit follow-up reports. We have already issued several reports under our enhanced process.

We will continue to refine our follow-up procedures as we implement the program and new methods of follow-up work with our auditees.



Annual Audit Plan prepared and designed by:

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