



# Audit Plan for Performance Audits

*Fiscal Year 2027*



My fellow Oregonians:

It is my great pleasure to share with you this year's Annual Audit Plan. The plan lays out the state agencies and programs at which we'll conduct performance audits in the coming fiscal year.

This year's plan delivers on my commitment to creating a risk-based, data-driven methodology to select our audits, removing as much bias from the process as possible, and ensuring full transparency into how we pick our audit topics. This risk assessment methodology is the responsible and right thing to do for our Audits Division, in full compliance with Generally Accepted Government Auditing Standards, and required under Oregon state law.

The Secretary of State Audits Division provides Oregonians with an objective look at how well our government is serving the people — what's working and where there's room for improvement. We hold agencies accountable, helping them to improve on the delivery of services to Oregonians as efficiently and effectively as possible. And ideally, our audits will help Oregon government become better stewards of taxpayers' contributions.

Our audits are also an important tool for others with a role to play in transparency and accountability. Our work helps agency leaders and those charged with governance and oversight — including the Legislature — improve program performance and operations, reduce costs, and make better policy and budgetary decisions.

This new risk assessment methodology is informed by months of rigorous work by Audits Director Steve Bergmann and the Audits Division team and populated with data from around state government. I want to thank our team and all those who contributed their time, expertise, and information to ensure we delivered a product worthy of Oregonians' trust.

Sincerely,



*Tobias Read, Oregon Secretary of State*



## Overview

The Oregon Constitution provides that the Secretary of State (SOS) shall be, by virtue of the office, Auditor of Public Accounts. The Audits Division performs this duty. The division reports to the Secretary of State and is independent of other agencies within the Executive, Legislative, and Judicial branches of Oregon government. The Secretary of State has constitutional authority to audit all state officers, agencies, boards, and commissions as well as to administer municipal audit law.

Per ORS 297.076(1), the SOS shall prepare an annual audit plan for performance audits. The audit plan must be based on a risk assessment methodology. The SOS shall seek, in the audit plan, to prioritize audits recommended by the Joint Legislative Audits Committee.

The audit plan referenced in this report covers the period from July 1, 2026 through June 30, 2027 (fiscal year 2027). This plan references performance audits only. It does not reference financial, compliance, or information technology audits that the Audits Division plans to conduct.

## Risk Assessment Methodology

This audit plan was generated based on the results of our risk assessment methodology as required by Oregon Law (ORS 297.076(1)) and was modeled after leading practices in risk assessment, including those from the Committee of Sponsoring Organizations of the Treadway Commission. The model was also informed by feedback from state agency leadership, legislators, legislative staff, Audits Division staff, and the State of Oregon's Chief Audit Executive Council.

In addition to meeting legal requirements and incorporating leading practices, this methodology was designed to identify discretionary decision points that are vulnerable to bias, when possible. This was done by measuring publicly available data against pre-established risk criteria (risk indicators). Many risk indicators use prior period performance as the baseline expectation, which enables the methodology to identify fluctuations in risk exposure to the State of Oregon. By using data-driven risk indicators to guide auditors' work, we are adding much-needed transparency and objectivity to the audit selection process, and we are focusing on areas of emerging risk. This approach aims to focus audit resources on areas to provide opportunities for course corrections before they become front page news. **We intend to help the entities we audit smell the smoke, so that state government does not have to put out fires.**

### Phase one: Who will be audited?

The risk assessment methodology consists of two phases. The first phase, called the **Risk Indicator Assessment**, was designed to answer the question: who will be audited? This question was answered through the analysis of publicly available data compared to preestablished risk indicators.



The indicators used in this phase were:

- 1. Budget spend risk indicator:** Instances when an agency spends its budget in an inconsistent manner with its legislatively adopted budget can indicate the presence of risk.
- 2. Change in agency budget risk indicator:** Significant expansions and contractions of agency budgets can indicate an increase in risk exposure.
- 3. Overtime risk indicator:** Increases in employees using overtime when compared to historical norms can be an indicator of several risks.
- 4. Vacancy risk indicator:** Holding legislatively authorized positions vacant for an extended period can indicate risk at an agency.
- 5. Fiscal stewardship risk indicator:** This indicator factors in the critical risks associated with agencies that are responsible for significant asset holdings, including cash, receivables, investments, buildings, and land.
- 6. Asset oversight risk indicator:** Performing regular inventories of assets is an important internal control to prevent and detect instances of loss or theft; it is also an expectation of Oregonians that agencies are taking their role as stewards of public assets seriously.
- 7. Indicator of custodial risk:** Instances where the State of Oregon is the responsible custodian for individuals carries incredible risk. That risk can be exacerbated in instances of youth custody and care.
- 8. Self-insurance liability risk indicator:** Increases in claims and claim settlements can be an indicator of increased risk exposure.
- 9. Director experience risk indicator:** Navigating learning curve for new Oregon agency heads can increase many risks. This indicator factors in relevant experience of each agency's director.
- 10. Knowledge, skills, and abilities risk indicator:** Instances of knowledge, skills, and abilities findings in an agency's most recent financial audit are factored in under this model.
- 11. Policy governance risk indicator:** The presence or lack of regular policy reviews and updates are an important measure of risk in state government.

Phase two: What will be the focus of the audit?

The second phase, called the **Risk Register Analysis**, was designed to answer the question: what will be the focus of the audit? This question was answered through an extensive analysis of risks, which were individually assessed in the following areas:

- 1. Availability of criteria:** Clear criteria are needed in order to perform an audit under professional audit standards.
- 2. Audit history:** This measure factors in whether the assessment area has received audit coverage in the recent past. Audit coverage includes state, federal, internal audit, and private contractor audits conducted in accordance with professional audit standards.
- 3. Existing in-process investigations or legal proceedings:** Initiated or in-process investigations or legal proceedings must be considered under professional audit standards.
- 4. Probability of risk occurrence:** The possibility of a deficiency impacting an entity's ability to achieve its objectives.
- 5. Impact: diversity, equity, inclusion, and belonging:** Factoring in adverse impacts on systemically underrepresented and under resourced communities. Resource and opportunity access.
- 6. Impact: Fiscal impact:** Factoring in the financial impact to the State of Oregon if the risk were to occur.
- 7. Impact: Operational efficiency:** This measure factors in operational efficiency when assessing risk.
- 8. Impact: Health and human safety:** This assessment area factors in health and safety risks at the environmental, organizational, and individual levels.
- 9. Impact: Environment and natural resources:** Measures how Oregon's environment and natural resources will be impacted if the risk were to occur.
- 10. Impact: Economic and community development:** Key considerations when assessing this area include impact on people, natural environment, built environment, economy, culture, grant utilization, and subrecipient monitoring.
- 11. Impact: Internal controls in place to manage risk:** Consideration is provided to existing internal controls to manage the risk area under assessment. Internal control areas include the control environment, risk assessment, control activities, information and communication, and monitoring activities. Internal controls can be deployed at the statewide, agency, division, operating unit, and functional/individual levels.
- 12. Joint Legislative Audits Committee consideration:** Per ORS 297.076(1), the Secretary of State shall seek to prioritize audits recommended by the Joint Legislative Audits Committee.

The two-phase analysis in this risk assessment methodology produced a list of auditees with focus areas, that are based in risk, in accordance with ORS 297.076(1).

## Fiscal year 2027 audit plan for performance audits

		Focus area(s)
Auditee		Areas may be broadened or narrowed as determined by the auditor based on engagement risk assessment results
1	Oregon Department of Education	High School Graduation and College and Career Readiness Fund, per ORS 327.895
2	Oregon Department of Transportation	State Highway Fund and capital projects, per House Bill 3991 from the 2025 1 <sup>st</sup> Special Session
3	Oregon Liquor and Cannabis Commission	Distilled Spirit Program Administration – liquor sales and distribution
4	Oregon Youth Authority	Community Programs – parole and probation services
5	Oregon Department of Corrections	Threat detection and mitigation – mail processing
6	Oregon Department of State Police	Criminal Justice Information Services – sex offender registration section review
7	Oregon Health Authority	Oversight of pass-through funding; grant and contract administration
8	Legislative Administration	Review of the Capitol Accessibility, Maintenance and Safety Project
9	Oregon Department of Education	School district funding allocation
10	Oregon Department of Human Services	Intellectual and Developmental Disabilities Program Area review

### Delivering for Oregonians

The Audits Division **builds trust** between Oregonians and state government by providing objective assurance that state government is fulfilling its responsibilities for Oregonians. It **makes a difference** by performing nonpartisan work to improve state government performance and operations, reduce costs, facilitate decision making, and contribute to public accountability.



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