

**Board of Trustees
Southern Oregon University**

**Resolution
Adoption of Fiscal Year 2020 Internal Audit Plan**

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

Whereas, Southern Oregon University has a duty to responsibly manage, invest, allocate, and spend its resources;

Whereas, Southern Oregon University has created the position of Internal Auditor to provide independent and objective assurance, consulting and investigative services that add value to the University;

Whereas, the Board of Trustees of Southern Oregon University has granted the Internal Auditor an Internal Audit Charter (“Internal Audit Charter”) to provide guiding principles, direction and authority to the Internal Auditor consistent with The Institute of Internal Auditors’ International Professional Practices Framework; and

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

Whereas, the Internal Auditor has developed, for approval by the Board, a risk-based annual internal audit plan (“Internal Audit Plan”) for Fiscal Year 2020 as described in the document attached hereto as Exhibit A; and

Whereas, the Executive and Audit Committee of the Board of Trustees voted to recommend this action to the Board of Trustees; now therefore,

Be it resolved, the Board of Trustees of Southern Oregon University hereby approves and adopts the Fiscal Year 2020 Internal Audit Plan. The Board hereby instructs the Internal Auditor and the officers of the University to take all actions and steps deemed necessary and proper to implement the Internal Audit Charter and the Internal Audit Plan.

VOTE: Unanimously approved

DATE: June 21, 2019

Recorded by the University Board Secretary:





Southern Oregon University
Internal Audit Plan
Fiscal Year 2020

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Internal Auditor

June 21, 2019

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Introduction & Internal Audit Plan Overview

The purpose of the Internal Audit Plan is to outline services and activities the Internal Audit Department will conduct during Fiscal Year 2020 (July 1, 2019 to June 30, 2020).

The Internal Audit Plan satisfies responsibilities established by the Board of Trustees bylaws, the Internal Audit Charter, and applicable professional *Standards*.

The Internal Auditor is authorized to make changes to the Internal Audit Plan, as deemed necessary, to address changes in identified risks. The Executive and Audit Committee and the President will be notified of any significant additions, deletions, or other changes to the Internal Audit Plan.

The Internal Audit Plan should be based on appropriate risk-based methodology, including the consideration of any risks or control concerns identified by management.

Executive Summary

Please refer to Internal Audit's annual report, annual assessments of management responsibilities and management control of fraud risk, engagement reports and reference resources on the Board reporting page:

<https://sites.google.com/a/sou.edu/internal-audit/?pli=1>

Several key collaborators, including the Vice President for Enrollment Management and Student Affairs, Chief Information Officer, Chief Diversity and Inclusivity Officer/Title IX Coordinator, Director of Campus Public Safety, AVP for Budget & Planning, have been hired or their roles otherwise staffed. Areas for process improvement have been identified and work is beginning or has begun.

You will see that this year's internal audit plan focuses on process improvement and compliance:

- Two audits were completed at the end of Fiscal Year 2019 that require time during Fiscal Year 2020 to draft the reports to the Board of Trustees.
- Internal Audit desires to complete its annual assessments for the March Board meeting rather than the June Board meeting next year.
- There is a backlog of Internal Audit work and management response plans that Internal Audit would rather assist management in finalizing rather than continuing to add to the backlog.
- There is a substantial increase in internal control assessment activities. These require less management involvement and are high yielding in their insight as well as assessing common sources of risk.

Internal Audit Risk Assessment Overview

Stage	Culture	Governance	Process
1 – Initial	Risk belongs to the internal audit activity.	CAE/audit committee chair.	Risk-based auditing.
2 – Repeatable	Risk is considered on an as-needed basis.	Business managers.	As-needed risk and control self-assessment process.
3 – Defined	Risk information is shared among internal audit and control functions.	C-suite/board members.	Common risk language and risk assessment process are used by internal audit and control functions.
4 – Managed	Risk is integrated into strategic planning; risk appetite is stated and communicated.	All levels of management and the board.	Common risk language and consistent risk assessment process are in place throughout organization.
5 – Optimized	Risk is integrated into all decision-making, compensation, and goals.	Total participation.	Common risk language and aggregated risk reporting are established throughout organization.

Standard 2120 – Risk Management states, “The internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes.” Specifically, the standard requires the internal audit activity to assess whether:

1. The organization’s objectives align with its mission.
2. Management assesses significant risks.
3. Management’s risk responses align risks with the organization’s risk appetite.
4. Relevant risk information is captured and communicated timely throughout the organization, including to the Board of Trustees.

In FY16, the Internal Audit department was formed. Internal Audit performed risk interviews with management that resulted in a list of the university’s top ten risk areas (a “top down approach”), which was presented to the Board of Trustees.

In FY17, Internal Audit performed risk assessment procedures including management interviews and harvesting risks and their related internal controls into a matrix. Risk scoring criteria was developed, performed and recorded into the matrix (a “bottom up approach”). This information was summarized and presented to the Board in a heat map format. The heat map represented specific residual risks that could result in a material event if related internal controls were not implemented and functioning effectively.

At the end of FY17, per “Assessing the Risk Management Process” a practice guide from the Institute of Internal Auditors, we would appear to have achieved “initial – stage 1” maturity:

“In organizations where the risk management process is in early stages of development, the internal audit activity may be more actively involved than it would be when the

process is more mature. At this maturity level, specific risk management activities may not be performed by the line/operational management or functions in the roles of control, compliance, legal, risk management, or internal quality assurance. Instead, those functions may rely on the internal audit activity's risk assessments and risk-based assurance and advice."

In FY18, at Internal Audit's urging, the Vice Presidents and Business Affairs Council performed high-level, "top down", risk assessments. Internal Audit assisted by attending risk assessment meetings and incorporating a heat map into management's tracking spreadsheet. Internal Audit and the Vice Presidents discussed their risk assessment.

At the end of FY18, we would appear to have achieved "repeatable – stage 2" maturity:

"At this level, the internal audit activity is better organized and resourced and plays an instrumental role by performing risk-based assessments, perhaps larger in scope. The internal audit activity may work with the control, compliance, legal, risk management, and internal quality assurance functions, adding internal audit expertise to assist risk owners in line/operational management functions to build and monitor operational controls. This stage is sufficient for many organizations if the process is operating consistently, efficiently, and delivering actionable results that aid in the attainment of the organization's goals and objectives."

In FY19, the Vice Presidents, and especially the Business Affairs Council, independently performed broad-based "bottom up" risk assessment with Internal Audit's encouragement. The Vice President of Finance & Administration presented their combined risk assessment and heat map to the Board of Trustees on March 21, 2019. Internal Audit independently monitored and harvested internal and external risks and recorded it into its matrix.

At the end of FY19 we would appear to be striving for "defined – stage 3" maturity:

"Organizations that rank toward the middle of the model may be a blend of maturity levels, with some business units operating at higher levels of maturity than others. In this structure, the organization's control, compliance, legal, risk management, and internal quality assurance functions may own the risk management process and have responsibilities that remain consistently within the Managed and Optimized levels, for example. The control and assurance functions may play an active role in assisting line/operational management to assess risks and perform other risk management activities. The internal audit activity may continue to operate functionally at the Repeatable level."

"The internal audit activity, as an independent assurance function, performs engagements to assess that risk management processes are effective in individual areas and overall throughout the entire organization. Additionally, the internal audit activity may compare its risk

assessments to the risk information produced by management and verified by the internal assurance functions (compliance/risk management) to gauge the accuracy and completeness of management's assessment. Conversely, the internal audit activity may use management's risk information to inform internal audit's risk assessments, or they may do both as appropriate. The Chief Audit Executive should coordinate with other providers of assurance and consulting services and may consider relying on their work (Standard 2050 – Coordination and Reliance)."

The Vice Presidents' input factored significantly in what was included in this year's internal audit plan. Given the mutual effort this past year, Internal Audit relied considerably on managements' risk assessment for this next year's internal audit plan. Internal Audit encourages the Vice Presidents to perform both high-level and broad-based risk assessment across all operations throughout next fiscal year.

Internal Audit Plan for Fiscal Year 2020

Assurance/Audit Services (not in priority order):

1. Campus Public Safety - The Clery audit report.
2. Facilities Management & Planning – The sustainability reporting to AASHE audit report;
3. Human Resources – Oregon Equal Pay Act
4. Re-perform FY18 stopped audit regarding the Student Fee Process;
5. Annual Assessment of Management Responsibilities;
6. Annual Assessment of Management's Control of Fraud Risk;

Consulting Services (focused on providing guidance to management on process re-engineering and continuous improvement, not in priority order):

1. Office of the Vice President of Finance & Administration – Culture of Continuous Process Improvement, Assessment/Analysis, and Accountability (in conjunction with the Financial Analyst);
2. Office of the Vice President of Enrollment Services & Student Affairs – Scholarships Assessment (process criteria and strategic use);
3. Office of the Vice President of Enrollment Services & Student Affairs – Student Record Maintenance Assessment (compliance requirements, document retention, confidentiality, etc.)
4. Financial Aid – Compliance Assessment (requirements, internal controls around key processes and enterprise risk management);
5. Business Services – Payroll (integrative processes);
6. Facilities Management & Planning – Surplus Assets process;
7. Follow Up - Selected Oregon University System Internal Audit Division audit recommendations;
8. Follow Up – FY17 Title IX audit management response and action plan;
9. Follow Up – FY17 investigation report management response and action plan(s);
10. Follow Up – FY18 stopped audit regarding Irregular Employment Agreements;
11. Follow Up – FY18 investigation report management response and action plan(s);
12. Follow Up – FY19 investigation report management response and action plan(s);

13. Follow Up – FY19 Clery and Violence Against Women Act audit management response and action plan;

Investigative Services:

1. EthicsPoint hotline allegations come to me for substantiation and reintegration with management decision-making.
2. It is not uncommon to have more than a dozen investigations open at any one time.

Governance:

1. Continue to develop an understanding of the Board of Trustees and management's risk appetite in the context of the next phase of the strategic plan.

Risk Assessment:

1. Encouraging management risk assessment and enterprise risk management;
2. Nurturing a formal compliance management function by management;
3. Continued harvesting of risk and controls and entering them into a risk matrix.

Internal Control Assessment:

1. Continued internal control assessment activities including:
 - a. Business Services - Purchase Cards (continue from FY19);
 - b. Business Services - Journal Entries;
 - c. Business Services - Reserve Balances;
 - d. Business Services - Anti-Fraud Initiatives;
 - e. Business Services – Banner 9 Access & Security;
 - f. Service Center - Vendor Maintenance;
 - g. Service Center – Travel;
 - h. Office of Grants Administration - Grants;
 - i. Information Technology – Gramm-Leach-Bliley Act (cybersecurity);
 - j. Diversity & Inclusion – Cultural Competency Compliance
 - k. Facilities Management & Planning – Vehicle Use

Function Capacity Building:

1. Formalize and document internal procedures further.
2. Prepare for a peer external quality assessment in FY21, for which the other Oregon public higher education Chief Audit Executives have graciously offered to perform.
3. Developing and documenting some software-assisted auditing techniques; specifically using the software IDEA, Excel, Banner and Cognos.

Annual Confirmation of the Organizational Independence of Internal Audit

Another key responsibility set forth in the Internal Audit Charter is to confirm annually the organizational independence of Internal Audit. This is included in each year's Internal Audit Plan. The Board will be advised of any responsibilities or conditions believed to affect the

objectivity or independence of Internal Audit, as well as any limitations to scope or insufficient resources to perform internal audit services.

Human Resource Plan

The Fiscal Year 2020 Internal Audit Plan was created around the understanding of having one Internal Auditor. To improve capacity, a student employee has been retained for six hours per week during the academic year.

Any Resource Limitations or Significant Interim Changes

Having only one Internal Auditor is inherently a resource limitation. For example, full organizational coverage over a five-year period is untenable.

Time must be dedicated to documenting internal processes – specifically quality assurance.

While this year's Internal Audit plan is ambitious, I believe that it can be completed with the resources provided. Please note that consulting services in particular require consistent involvement by management to be successful, and that internal control assessments require a degree of management involvement to improve processes.

Financial Budget

As per the Internal Audit Charter, the Executive and Audit Committee is responsible for approving the internal audit function's budget and resource plan.

Internal Audit's requested budget has been submitted to Josh Lovern, Interim Budget Manager.

In Fiscal Year 2019, Internal Audit skipped two conferences, curtailed travel and controlled costs to return approximately \$8,000 of budgeted expenses.

In Fiscal Year 2020, the non-payroll portion of Internal Audit's budget was reduced to accommodate a student employee as well as to generate modest budget savings.