

Meeting Minutes

Statewide Audit Advisory Committee

Members

Scott Harra, CHAIR
Director
DAS

Gary Blackmer
Director
OAD

Laurie Byerly
Principal Legislative
Analyst
LFO

Marc Williams
Administrative
Services Division
Administrator
DOJ
RMAC Member

Michael Freudenthal
External Member

Marlene Hartinger
CAE
ODOT

Kim Johnsen
External Member

Theresa Masse
State Chief
Information Security
Officer
DAS

David Moon
Business and Fiscal
Services Division
Director
OJD



Satish Upadhyay
Administrative
Services Division
Chief
ODF

External Member
Vacant

Jason Stanley
CAE
PERS

Pamela Stroebe
Valencia
CAE
DAS

Meeting Date: November 22, 2010
Time: 1:00 pm – 3:00 pm
Location: DAS Executive Building, 155 Cottage St Salem
Conference Room A

ITEM	PRESENTER	TIME	ACTION, NOTES
Opening Comments			
<ul style="list-style-type: none"> Welcome and Introductions – Membership Updates Approve May and August meeting minutes 	Scott Harra	1:00 – 1:05	Introduce Jason Stanley, New Member  SAACminutes082310.doc
Scott Harra welcomed the group and introduced Jason Stanley who gave a brief professional background to the group. The SAAC Meeting Minutes from August 23, 2010 were adopted with no changes.			
Outreach			
<ul style="list-style-type: none"> Update on recruitment efforts statewide Update on ERM work with RMAC and ESO 	Pam Stroebe Valencia	1:05 – 1:25	New hires; budget reductions Discuss marketing materials, value stream & measures  ERM_Brochure
<ul style="list-style-type: none"> Update on Recruitment Pam reported that DAS hired Raymond Neville as a Senior Internal Auditor for a limited duration until the end of June. Parks and Recreation also hired a Quality Assurance Manager who is providing the internal audits function. The Department of Forestry will lay off its internal audit position due to budget reductions. Judicial went through an interview process.			
Pam stated that there is a problem with the current classification structure. She explained that they might change the pools with the new changes to the current class structure that is currently in the work queue.			
<ul style="list-style-type: none"> Enterprise Risk Management Pam referred to the draft ERM brochure to give the members a visual opportunity to see it. It will still go through a plain language review. The definition will probably stay the same. She stated that they are developing one statewide enterprise risk management website. It will point to other groups. We will have training presentations on the site as examples. One agency is donating State of Oregon enterprise risk management templates to be posted to the site.			
A member reported on the following: They are working collaboratively with several offices to develop a risk self-assessment.			

One of the reasons is that the state is self-insured and given the number of breaches that have occurred, the state may incur a breach and that will be expensive. To be prepared, they are looking into supplemental cyber-security insurance. To be able to set a rate they will get some information required by doing an agency self-assessment for which they are developing a tool. They will share the tool with others to get feedback before sending out to the agencies. All agencies will be asked to complete the self-assessment. This will use the Carnegie-Mellon score. From a risk perspective, information security and other areas of risk, this will give a good state-wide view. This will tie in with a program on enterprise information security risk assessment that is ongoing right now and it is hoped that agencies might start to see benefits in enterprise solutions. A lot of communication will occur before it is sent out to agencies, workshops, etc.


Risks to be covered (more can be added later):

- Governance Section
- Policies and Procedures
- Communications
- Drills down and get specific on IT

It was further explained that the premiums are based on exposure and past experience. The number of FTE is the proxy for exposure. Larger agencies have the most claims. Smaller agencies have the fewest until they have a claim, then their premiums go up. The cost estimate is still being determined.

Timelines and dates will be set soon and the committee will be asked for feedback.

SAAC-CAE Connection

<ul style="list-style-type: none"> • FY 11 Action Plan Progress Update 	Pam Stroebe Valencia	1:25 – 1:35	 FY11_Plan_Update.pdf
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Pam pointed out updates and explained highlights of the projects listed in the attached document as follows:

FY 11 Plan:

- Charter Updated and will be addressed in this meeting.
- Training held Nov. 3, 2010 and will be discussed at this meeting.
- Update on marketing materials at August and November meetings.

Annual:

- State IA Activity Report will go to the legislature on December 31, 2010 and the on-line database is completed.
- Report on KPM Data: Will attempt to present at February's meeting.

Project added to On-going DAS Customer Service:

- IA Classification Study: IAS is working in conjunction with statewide effort of HRSD.

Pam explained that they are having difficulty training and recruiting internal auditors due to the current qualifications in the state system. She reported several of the current

discrepancies and how it can be improved. They would like to make it more experience driven with performance auditing skills rather than just auditing. Scott stated that they would like to move away from “*minimum qualifications*” to a “*successful candidate will usually have the following qualifications*”. The current classification inhibits compensation for knowledge, skills and abilities.

Training

• Debrief Audit Committee Training Event November 3, 2010	Pam Stroebel Valencia	1:35 – 1:45	
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Pam reported that it was a very successful event and asked for any next steps that came out of the group. Several members agreed that it was a very good event.

Discussion ensued about how to use this training and spread the information among all audit committees. There were several suggestions which lead to Scott recommending that the training be made into a module on iLearn along with a handbook. Scott asked Jason Stanley to create an outline of the proposed handbook and report back to the committee with his outline.

Another member suggested that they tackle topics of the training and do 1-hour training with CAE and then take the information back to their audit committees. ERM is relatively new to a lot of auditors. For us to get the concept and then to tell others can be two different things. Pam stated that she has a few original copies of the training material and she is going to share the material with those agencies that were unable to attend.

A member stated that he thought the training was well done. He agreed it is a good solution for CAE to meet and take back to their audit committees. He also suggested that several internal audit committees meet in the same room for an hour to hear the questions each other ask. He suggested meeting twice per year.

In conclusion, there were three options discussed:

1. Handbook synopsis of training
2. iLearn training module
3. Forum of audit committees

A discussion then began about requirements for audit committee members to be external to their organization. Pam explained that the administrative rule strongly encourages agencies to get participation from outside their agencies. Some agencies get that from commissions or committees.

On this subject, Pam reported that 26 agencies out of 31 agencies have an audit committee. Eighteen have at least one member that is external to the organization. Three agencies have audit committees who are comprised of all external members to the agency.

Pam suggested that this subject be highlighted in the training handbook outline so that this can be discussed among audit committees.

Reporting

- Review/Approve Charter Revision
- OAR Revision Update
- Review Draft Annual Report
- Audit Reports as Public Documents

Pam Stroebel
Valencia

1:45 –
2:30



SAACcharter10.doc



Public_Records_Issue

- Review/Approve Charter Revision

Pam asked if this can be approved. There was a motion to approve it. It was seconded and the charter was unanimously approved by all attending members.

With the exception of punctuation, Scott will sign it today.

- OAR Revision Update

Pam went over her progress with the revisions. She explained that the soonest it will be effective is January 18, 2011. She will let the auditors know that for their external assessments, they will have to have them dated December 31, 2010 or after January 18, 2011. She put a temporary rule in place to allow us to do internal quality assurance reviews.

Pam went over the drafted revisions to the rule which includes removing specific standard's language to follow one set of standard compliance rules. Pam will send them out and if it feels like anything is going to be contentious, she will hold that revision out. She wants to get these "two sections revised" by January 18th. She requested electronic approval from members by December 5th. She stated that she will send it to members this week.

- Audit Reports as Public Documents

A member reported that internal audit reports are being question by the State Library as whether or not they are public documents and if so, they should be filed with the State Library. She gave a brief history of how this came about when reports were inadvertently sent to the State Library by Publishing and Distribution a few years ago.

Pam referred the attending members to the handout titled "Statewide Audit Advisory Committee Internal Audit Reports as Public Documents, November 22, 2010. She went over the points in the document pointing out discrepancies to the question about whether or not all audit reports are public documents and need to be sent to the State Library.

Pam stated that there is the potential that auditors might give less substantial reports. When management teams are surveyed, they don't have to be open and honest. Some auditors might stop issuing audit reports.

Not making audits public documents could put the executive branch in the light of not appearing to be transparent.

We can schedule a meeting with library and internal auditors. The annual report on statewide audit activities will be given to them. The library can send requestors back to the agency for the individual agencies internal audit report.

The following discussion items ensued:

- This committee can determine what it is a confidential working document, such as personnel investigation and information security.
- The Feds list the Freedom of Information Act and state that the reports are intended for internal use unless the senior person in that agency decides to release it, the report will remain internal. The member will send the language to Pam.
- We are serving the public. Something that is for internal use unless it is personal issues and IT, it should be available to the public.
- If the internal auditors are doing their part to make the agencies better, it should be transparent.
- From public confidence standpoint, there is benefit for the public to know these things rather than keeping it under wraps.
- We need to set controls to make sure audits are always done properly. If those are in place, releasing the report isn't as important if you have a good audit department that will assure a decent audit is completely by having other controls in place.
- From a public confidence standpoint in keeping things in the dark and then having problems go public can be an issue.
- It boils down to who is the audience. If you think your audience is the public, then that is who you write for.

Pam suggested that they send the yearly state audit report to the State Library and for other audits the State Library can refer people to the individual agencies.

Scott stated that this is an advisory group and he will take the items of discussion under advisement to make decisions. He congratulated the committee on a good job.

- Review Draft Annual Report

Pam asked for feedback on the report by December 15th. She went through a few highlights. She will take comments on content. She will send out an updated version early next week.

Pam reported on the following:

- IT person created an online reporting system for us to use this year, it took a lot less time to compile the information than last year.
- Going toward contracted out internal audit functions.
- On page six, broke it out to visually show the trend to contracting out services.

- It has been more of a budgetary driver than agencies not appreciative of their internal auditor.
- Some agencies still say they have an internal auditor function and will remain so until the end of the biennium if not longer.

The Two things reported every year:

- Annual Risk Assessment: Most agencies turned one in.
- External Assessment: Have not received that information yet.

Pam continued to go over the items that have been updated:

- Audit committee
- Standards
- Reporting structures
- Reporting committee

First meeting of next year, Pam will go into more depth into the report.

Scott explained that they want content and emphasis, not word smiting and editing. He asked if there were any questions about the purpose of the report. Pam will be testifying in front of the Legislature to present this report.

Round Table

• General topics from Committee Members	ALL	2:30 – 3:00	
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- We looked at legislative concepts. Looked at laws that mandate audits that we don't know why and we haven't done them. We are going to put together some house cleaning and some statutes.
- We are trying to keep our audits and work papers confidential until we release them. When a reporter gets wind of an audit, they want to see it right away. We believe that we would loose legally – we could only stall. This is one of the statutory things we are exploring.
- Request that Pam put the public record request on the agenda for another meeting.
- Request that we comply with all the DAS requirements.
- Reported on requirements for internal auditors and moving to a different kind of position description. Annual report – several agencies going to contracting. What are the requirements for contract auditors?
- Pam answered that they would have to report on their contract. Two primary examples are (their contractor is very familiar with them) is that he puts all his certifications and training. We maintain a list of contractor's that are available. Agencies can write their own RFP and hire a contractor. They report what standards they follow. Another approach is to write inter-agency agreements with other shops. One thought is for DAS to have an auditor that can perform

those services. Some agencies split the internal auditors (one agency hires, the other writes an interagency agreements).

- Pam reported that she just got an e-mail from an internal auditor with a proposal for this committee. She will bring it back to the committee next meeting.

Next meeting: Monday, February 28, 2010 1:00 pm – 3:00 pm, DAS Executive Building, Conference Room A

Potential agenda items: KPM Data Integrity follow-up; IA Classifications; Legislative Update; Begin FY 12 Action Plan Discussion