

Agenda Item No.:	B
Work Plan Title & #:	<i>Forestry Program for Oregon Implementation - Issue 1</i> Objective 4 – Adaptive Management Tools Quality Assurance Program Annual Report
Date of Presentation:	January 9, 2008
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**SUMMARY**

The purpose of this item is to provide an annual update for FY 2007 to the Board on the:

- Activities of and changes in the Department’s Quality Assurance Program (QAP),
- External audit activities within the Department, and
- Needs of the QAP to better assist the Board and Department in achieving the objectives of the *Forestry Program for Oregon*.

The QAP Director position was filled for 10 months of FY 2007 until the previous Director took a position at DAS. A new QAP Director was hired in October 2007.

Board members are asked to consider:

- areas of the agency they think need to be reviewed so they can be conveyed in agency-wide risk assessment interviews to be performed before July 2008, and
- participating or recommending others to serve as members of the Department’s Audit Committee so they can be conveyed in interviews during 2008.

**CONTEXT**

The Department’s senior management established the QAP to improve governance and organizational effectiveness as intended by the guidance in OAR 125-700. The QAP adheres to the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditor’s. The QAP consists of one FTE located in Salem. The purpose of the QAP is:

*To add value to the agency and increase the assurance that the Department will achieve its mission by improving governance, management, internal control and operations through independent and objective reviews. These services include annual agency-wide risk assessments, assurance engagements, consulting engagements, and annual reporting (Attachment 3).*

## BACKGROUND AND ANALYSIS

### QAP and External Audit Activities - FY 2007

Annual Agency-Wide Risk Assessment - The risk assessment for FY 2006 was completed and reported to senior management in May, 2007. Final results of the risk assessment were used to develop the FY 2008 Annual Audit Plan and were shared with program directors and the Oregon Audits Division.

Assurance Engagements - The Quality Assurance Program conducted several assurance audit engagements and reported the findings to management on the following:

- Small Purchase Order Transaction System (state VISA card purchases),
- Data Reliability of the Agency's Key Performance Measures,
- Internal controls for cash handling at Tillamook Forest Center,
- Management of the Forest Resource Trust, and
- Two personnel internal investigations.

Consulting Engagements - The QAP worked on several formal and informal consulting engagements. The formal consulting engagements included:

- Facilitating and Assisting the Procurement Unit, Asset Management Unit, and Facilities Unit in implementing an enterprise risk management framework,
- Initial review of the agency's Key Performance Measures for their relevance to the agency's mission, and
- Providing training on Government Ethics at New Manager Orientation and numerous staff meetings.

Several other informal consulting engagements and efforts were performed during this period, which included participation on the Business Continuity Planning Committee, and reviewing draft policies and procedures for compliance with state guidelines.

External Audits - The annual statewide financial audit of the Department for FY 2006, performed by the Oregon Audits Division, covered nine accounts representing over \$269 million (Attachment 1). In conjunction with the annual statewide audit for FY 2007 OAD also did work in the areas of Payroll and OMB A-87. The report stated that the Department had taken full or partial corrective action on all of the previous year's audit findings. The audit concluded no reportable findings for FY 2006. The FY 2007 statewide audit is currently being performed.

During FY 2007 OAD began audit work at the Department regarding management of Common School Fund Lands and the inter-governmental agreement the Department has with the Department of State Lands. The work is on-going and a report is expected in early 2008.

The Department's Status Report of Audit Recommendation Corrective Actions is maintained and coordinated by the QAP, but there have been no new recommendations to add from FY 2007 (Attachment 2).

## **NEXT STEPS**

The following activities will be completed during FY 2008:

- Adopt final Internal Audit and Audit Committee charters which will define the role and activities of the functions.
- Create a Department Audit Committee composed of a majority of Board and external members with a set meeting schedule and topic areas to be covered.
- Complete projects undertaken in FY 2007
- Perform the required agency-wide risk assessment before July 2008 to determine the FY 2009 Annual Audit Plan for QAP activities.
- Continue educating Department employees and stakeholders of the Department on the role QAP has in increasing the assurance the Department will achieve its mission.

## **ATTACHMENTS**

- (1) Oregon Audits Division, Management Letter for Statewide Audit FY 2006
- (2) Status Report of Audit Recommendation Corrective Actions
- (3) Definition of Internal Auditing Contained in the *International Standards for the Professional Practice of Internal Auditing*