



# **Annual Report on Statewide Internal Audit Activities**

## **Fiscal Year 2025**

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## Executive Summary

Under [Oregon Revised Statute 184.360](#), the Oregon Department of Administrative Services (DAS) is required to report to the Joint Legislative Audit Committee annually on statewide internal audit activities. Oregon law directs DAS to set standards and policies for internal audit functions within Oregon state government. DAS sets internal auditing standards through [Oregon Administrative Rule \(OAR\), Chapter 125, Division 70](#).

### Establishment of Internal Audit Programs

Oregon state agencies who meet the criteria established under OAR 125-70 are required to have an internal audit function. The criteria include the amount and funding sources of an agency's budget, the size of its staff, and the amount of cash revenue processed annually. Agencies that established voluntary audit programs must also comply with statewide internal audit requirements established under OAR 125-70.

When surveyed at the conclusion of Fiscal Year 2025, there were 30 active internal audit programs. Two agencies did not have an active internal audit program and two shared a single program.

### Standards, Independence and Objectivity

Internal auditors reported having applied standards set by professional auditing organizations such as the Institute of Internal Auditors to ensure adequate independence, objectivity and quality.

All state internal audit programs reported functionally to an audit committee which included members external to their organizations and established governing charters.

This structure promotes their ability to maintain independence and objectivity.

## **Auditing, Advisory Engagements and Risk Assessments**

In total, agencies completed 28 agency-wide risk assessments, 73 audits and 49 advisory engagements in Fiscal Year 2025. These engagements covered a variety of critical areas, including financial controls, program performance, compliance with state and federal requirements, customer service, safety, and ethics.

A full list of audit and advisory engagements can be found in the appendices.

This summary is part of a larger report about internal audit work across state agencies during Fiscal Year 2025. You can find the full report online DAS's [website](#) or by contacting DAS Internal Audit at [das.internalaudit@oregon.gov](mailto:das.internalaudit@oregon.gov).

## Introduction and Background

Under [Oregon Revised Statute 184.360](#) the Oregon Department of Administrative Services is required to report to the Joint Legislative Audit Committee annually on statewide internal audit activities. Oregon law directs DAS to set standards and policies for internal audit functions within Oregon state government. DAS sets internal auditing standards through [Oregon Administrative Rule \(OAR\), Chapter 125, Division 70](#).

### Establishment of Internal Audit Programs

Oregon state agencies who meet the criteria established under OAR 125-70 are required to have an internal audit function. The criteria includes the amount and funding sources of an agency's budget, the size of its staff, and the amount of cash revenue processed annually.

Agencies that meet at least two of the following criteria for two consecutive biennia or more are required to establish, maintain and fully support an internal audit program within existing resources:

- Total biennial expenditures that exceed \$200 million
- 400+ full-time equivalent employees
- \$20 million+ annual cash revenue processed
- Greater than 50% of total funding from federal and other funds

Agencies that establish an internal audit program are also required to:

- Select and conform to chosen auditing standards
- Produce an annual agency-wide risk assessment and audit plan
- Perform at least one risk-based audit per year
- Audit an element of the agency's governance and risk management processes at least once every five years

## What is Internal Auditing?

“Internal Auditing is an independent, objective assurance and advisory service designed to add value and improve an organization’s operations.

It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.”

—*The Institute of Internal Auditors*

## Overview of Internal Auditing in the Public Sector

Professional auditing standards set expectations to ensure auditors are objective, independent, competent and produce quality work based on sufficient evidence.

Oregon state government has both internal and external audit functions. While both roles involve application of audit standards and expectations for independence, objectivity and competency, they differ in the primary standards they use and the groups to which they are accountable.

Internal Auditors	External Auditors
<ul style="list-style-type: none"><li>✓ Audit the agency they work for</li><li>✓ Are independent of the activities they audit</li><li>✓ Act as trusted partner and advisor for agency leadership</li><li>✓ Usually audit a single agency</li><li>✓ Provide ongoing monitoring, risk assessments, consultations and advice</li><li>✓ Primarily apply Institute of Internal Auditors standards</li></ul>	<ul style="list-style-type: none"><li>✓ Work for outside organizations</li><li>✓ Are independent of the organizations they audit</li><li>✓ Hold auditees accountable on behalf of public, elected officials</li><li>✓ Audit multiple agencies</li><li>✓ Provide intermittent or annual audits, often focused on financial statements</li><li>✓ Primarily apply Federal Accountability Office standards</li></ul>
Both Internal and External Auditors	
<ul style="list-style-type: none"><li>✓ Have unrestricted access to information needed to complete audit objectives</li><li>✓ Embrace independence, objectivity, quality and competency</li><li>✓ Use similar methods</li><li>✓ Work in support of the public interest</li></ul>	

The Oregon Constitution and state statutes establish the Secretary of State's Audits Division as the official external auditor in Oregon state government. Other entities, such as federal agencies, may conduct external audits in certain circumstances.

In Oregon, state agency internal audit programs typically apply standards set by the Institute of Internal Auditors (IIA), and the Secretary of State's Audits Division applies the Government Auditing Standards set by the federal Government Accountability Office.

The roles of the internal and external auditor are complementary. Internal auditors typically work within a single agency and develop specialized expertise and industry knowledge to provide management with timely advice and conclusions to improve governance, internal control, and risk management.

## Fiscal Year 2025 Statewide Internal Audit Activities

In 2025, the Oregon Legislature passed HB2336, changing the period covered by this report. Instead of using the calendar year, the report now covers the previous fiscal year. This report includes information about internal audit activities occurring from July 1, 2024, through June 30, 2025 as reported by state agencies.

### Statewide Internal Audit Summary

The following table summarizes agencies' self-reported compliance with statewide internal audit requirements. Additional information can be found in the subsequent section.

Requirement	Statewide Internal Audit Activities
<b>Establishment and Staffing an Audit Program</b>	There were 30 active internal audit programs for Fiscal Year 2025. 27 programs were staffed and three were contracted.
<b>Audit Standards</b>	All audit programs selected appropriate audit standards.
<b>Dual Reporting</b>	All staffed audit programs used a dual-reporting structure <sup>1</sup> .
<b>Audit Committee</b>	27 out of 30 audit programs had an active audit committee.
<b>External Audit Committee Member</b>	All audit committees had at least one external member.
<b>Board or Commission Member</b>	10 out of 11 agencies with a governing board or commission included a member on the audit committee.
<b>Governing Charter</b>	All audit programs had governing charters in place.
<b>External Quality Assessment</b>	Three agencies had external quality assessments in Fiscal Year 2025. All passed with a “generally conforms” or “pass” rating.
<b>Risk Assessment</b>	28 out of 30 audit programs conducted an agency-wide risk assessment.

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<sup>1</sup> See Standards, Independence and Objectivity



Requirement	Statewide Internal Audit Activities
<b>Risk-Based Audits</b>	28 out of 30 audit programs completed risk-based audits in Fiscal Year 25.
<b>Governance and Risk Management Audits</b>	All audit programs complied with the requirement to do a governance and risk management audit every five years.

## Establishment and Staffing of Internal Audit Functions

The Oregon Department of Agriculture (ODA) and the Secretary of State (SOS) were subject to the requirement but did not have an active internal audit program established at the end of Fiscal Year 2025. DAS has granted ODA a partial exception through December 31, 2027. The agency must establish an audit committee and an internal auditor or internal auditor contract by then. ODA must also complete a risk assessment by June 30, 2027. The SOS was granted an internal audit position for the first time in its 2025-27 biennial budget.

The Oregon Department of Human Services (ODHS) and the Oregon Health Authority (OHS) shared a single internal audit program.

The Oregon Department of Forestry (ODF) and the Oregon Youth Authority (OYA) had vacancies in their sole internal audit positions and contracted for internal audit services during Fiscal Year 2025. The Oregon Parks and Recreation Department (OPRD) did not have an internal audit position and also contracted for internal audit services during Fiscal Year 2025.

Four agencies voluntarily operated an internal audit program, including the Higher Education Coordinating Commission (HECC), Oregon Department of Energy (ODOE), Office of Public Defense Commission (OPDC), and Oregon Commission for the Blind (OCB).

## Standards, Structure, Committees and Charters

All internal audit programs used appropriate audit standards. To conform with auditing standards and promote independence from management, agency Chief Audit Executives must have a dual-reporting structure. Auditors should report administratively to the agency Director, Deputy Director, or equivalent, and report functionally to an audit committee. All staffed audit programs met this requirement during Fiscal Year 2025.

Three agencies did not have an active audit committee and were working to restart them:

- Oregon Department of Forestry (ODF)
- Oregon Department of Veterans' Affairs (ODVA)
- Oregon Youth Authority (OYA)

Audit committees must include at least one outside member. If the agency has a board or commission, one member should be on the committee. All agencies with active audit committees had external membership. One agency, HECC, did not include a member of its governing commission as required.

## **External Quality Assessments**

Internal audit functions at state agencies are required to be evaluated for conformance with auditing standards every three or five years, depending on chosen auditing standards. Agencies may have this assessment performed through the state's reciprocal external quality assessment program or by a contracted provider.

In Fiscal Year 2025, assessments were completed for three agencies. All passed with a "generally conforms" or "pass" rating. These agencies were:

- Oregon Department of Fish & Wildlife (ODFW)
- Oregon Liquor Control Commission (OLCC)
- Higher Education Coordinating Commission (HECC)

Four more agencies are currently going through the review process:

- Oregon Department of Education (ODE)
- Oregon Department of Human Services/Oregon Health Authority (ODHS/OHA)
- Oregon Housing and Community Services (OHCS)
- Oregon State Police (OSP)

## **Risk Assessments**

The annual agency-wide risk assessment provides agency management with a high-level summary of known risks, typically scored by impact and likelihood. The risk assessment is also the foundation for subsequent planning, selection, and performance of audits.

All but two agencies, Oregon Department of Veterans Affairs (ODVA) and the Oregon Youth Authority (OYA), conducted a risk assessment in Fiscal Year 2025. ODVA was re-establishing its audit program after an extended vacancy. OYA contracted for an internal audit while its audit position was vacant for the entirety of the fiscal year, but did not complete a risk assessment.

## **Audit and Advisory Engagements**

Audit approaches typically fall into performance, IT, or financial categories. In total, agencies meeting the internal audit requirement or voluntarily establishing a program conducted 73 audits in Fiscal Year 2025. Two agencies, the Higher Education Coordinating Commission (HECC) and ODVA, did not perform an audit in this period.

Agencies with audit programs also conducted 49 advisory engagements in the report period. Advisory engagements are proactive, and provide real-time feedback to agencies regarding the design, development, and implementation of strategies, policies and processes. These engagements foster the enhancement of management's strategic planning and risk management efforts.

Internal auditors may also conduct special investigations, including cases referred to agencies from the Secretary of State's Government Waste Hotline.

Agencies are also required to complete audits focused on governance and risk management topics at least once every five years. All agencies with established internal audit programs complied with this requirement.

## Appendix A: Agency Abbreviations

Abbreviation	Agency Name
BIZ	Business Oregon
DAS	Department of Administrative Services
DCBS	Department of Consumer and Business Services
DELC	Department of Early Learning and Care
DEQ	Department of Environmental Quality
DOC	Department of Corrections
DOJ	Department of Justice
DOR	Department of Revenue
HECC	Higher Education Coordinating Commission
Lottery	Oregon State Lottery
OCB	Oregon Commission for the Blind
ODA	Oregon Department of Agriculture
ODE	Oregon Department of Education
ODF	Oregon Department of Forestry
ODFW	Oregon Department of Fish and Wildlife
ODHS/OHA	Oregon Department of Human Services / Oregon Health Authority
ODOE	Oregon Department of Energy
ODOT	Oregon Department of Transportation
ODVA	Oregon Department of Veterans' Affairs
OED	Oregon Employment Department
OEM	Oregon Department of Emergency Management
OHCS	Oregon Housing and Community Services
OJD	Oregon Judicial Department
OLCC	Oregon Liquor and Cannabis Commission
OMD	Oregon Military Department
OPDC	Office of Public Defense Services
OPRD	Oregon Parks and Recreation Department
OSP	Oregon State Police
OST	Oregon State Treasury
OYA	Oregon Youth Authority
PERS	Public Employees Retirement System
SOS	Secretary of State

## Appendix B: Internal Audit Staffing and Requirements

Agency	Staffing	FTE	—Completed During FY 2025—			Most Recent EQA <sup>3</sup>
			Risk Assessment	Risk Audit	GRM <sup>2</sup> Audit	
BIZ	Staffed	1	Yes	Yes	Yes	None
DAS	Staffed	2	Yes	Yes	Yes	2011
DCBS	Staffed	1	Yes	Yes	Yes	2023
DELC	Staffed	1	Yes	Yes	Yes	New Program
DEQ	Staffed	1	Yes	Yes	Yes	None
DOC	Staffed	3	Yes	Yes	Yes	2021
DOJ	Staffed	1	Yes	Yes	Yes	New Program
DOR	Staffed	2	Yes	Yes	Yes	2021
HECC	Staffed	1	Yes	No	Yes	2025
Lottery	Staffed	3	Yes	Yes	Yes	2020
OCB	Staffed	1	Yes	Yes	Yes	None
ODA	No Position	0	N/A	N/A	N/A	No Program
ODE	Staffed	1	Yes	Yes	Yes	Underway (Last review 2020)
ODF	Vacant/ Contracted	1	Yes	Yes	Yes	2022
ODFW	Staffed	1	Yes	Yes	Yes	2024
ODHS/ OHA	Staffed	11	Yes	Yes	Yes	Underway (Last review 2021)
ODOE	Staffed	1	Yes	Yes	Yes	None
ODOT	Staffed	8	Yes	Yes	Yes	2024

<sup>2</sup> Governance and Risk Management

<sup>3</sup> External Quality Assessment

			—Completed During FY 2025—			
Agency	Staffing	FTE	Risk Assessment	Risk Audit	GRM <sup>2</sup> Audit	Most Recent EQA <sup>3</sup>
ODVA	Staffed	1	No	No	Yes	None
OED	Staffed	1	Yes	Yes	Yes	2023
OEM	Staffed	1	Yes	Yes	New Program Program	New Program
OHCS	Staffed	1	Yes	Yes	Yes	Underway (New Program)
OJD	Staffed	2	Yes	Yes	Yes	2021
OLCC	Staffed	1	Yes	Yes	Yes	2024
OMD	Staffed	1	Yes	Yes	Yes	None
OPDC	Staffed	1	Yes	Yes	Yes	New Program
OPRD	Contracted	0	Yes	Yes	Yes	2019
OSP	Staffed	1	Yes	Yes	Yes	Underway (Last review 2018)
OST	Staffed	3	Yes	Yes	Yes	New Program
OYA	Vacant/ Contracted	1	No	Yes	Yes	2019
PERS	Staffed	4	Yes	Yes	Yes	2021
SOS	No Position	0	N/A	N/A	N/A	No Program/ Position Granted FY26

## Appendix C: Audit Reports Issued in FY 25

Agency	Audit Report Name
BIZ	Travel Audit
DAS	OLCC Land Purchase Assurance Engagement
DCBS	Contract Administration
DELC	Coordinated Enrollment Grant
DEQ	Clean Fuels Program Credit Management Review Stormwater/OCE Registrant Inquiry Process Review
DOC	Commissary Inventory Management Practices Audit
DOJ	Accounts Payable Invoice Processing Audit IT Related SPOTS Card Purchasing Audit
DOR	Non Call-Center Customer Service Audit Season-Up Project Audit
Lottery	INTELLIGEN User Access Review Procurement Planning and Contract Development Engagement Internal Quality Assessment Review Annual Follow-up Review of Open Audit Recommendations Annual Budget Development and Expense Reporting Engagement Internal Audit Participation in the 2025 Raffle Drawing
OCB	Agency Head Review
ODE	Child Nutrition Program Performance Audit
ODF	Internal Audit of Vendor Master File
ODFW	Public Records Request Process Hiring Process Safety Program
ODHS/OHA	OHA Language Access OHA Non-Emergency Medical Transportation OHA Sub-Recipient Monitoring ODHS Language Access ODHS Staff Safety

Agency	Audit Report Name
ODOE	Radioactive Material Transport Community Renewable Energy Program Radioactive Material Disposal SPOTS Card Audit
ODOT	Social Equity in Project Scoping Region 1 Camp Clean-Up Progress Made in Completing Named Projects HB 2017 Pavement Management Follow-up Letter Project Delivery Not Impacted by Mobility Advisory Committee ADA Curb Ramp Construction Costs Steps Taken to Improve Budget Development Process DAS Delegation
OED	Wage Record Audit
OEM	Grant Program Audit for EMPG
OHCS	CDBG-DR Work Tag Audit
OJD	Multnomah Internal Controls Multnomah Technology Assessment Jackson Technology Assessment Klamath Internal Controls Klamath Technology Assessment Inventory Advisory Report Tillamook Internal Controls Tillamook Technology Assessment
OLCC	Cybersecurity Audit OLCC Land Purchase
OMD	EEP Annual Audit Physical Security Internal Audit
OPDC	Pre-Authorized and Court Mandated Expense Audit
OPRD	Historic Buildings Local Government Grant Program
OSP	Oregon State Medical Examiners



Agency	Audit Report Name
OST	Fixed Income Investments
	Unclaimed Assets
	Holder Property Compliance
	Wire Transfer
	Incident Operations
OYA	Financial Services Department Internal Audit
PERS	Benefit Calculations
	Employer Data
	Tax Remedy
	Hardware and Software Management
	Tax Remedy Data
	Death Administration
	Desktop Applications

## Appendix D: Advisory Engagements in FY 25

Agency	Advisory Topic
DAS	HR Compliance Function Workday Application Controls Audit Preparation Internal Controls Presentation GAGAS Interpretation SOS Domestic Violence Advisory Report Response LAO Concept Consultation
DCBS	Cybersecurity Data Governance Information Security
DELC	Federal Incident Response Tracking Enterprise Risk Management Education Travel Policy Review Software Versioning Policy Review Grant Development Policy Review Subgrantee Fraud Concern Review AI Policy Consultation
DEQ	NW Region Ethics Inquiry EV Rebate Enhanced Assessment Checklist CERTA Audit Preparation FAQ Internal Audit Dashboard IIA IA QAR Work-Program DELC AC Member
DOC	Victim Services Consult Vehicle Use Consult
DOR	System Access Controls and Process Improvement Change of Director Section Management – Culture and Continuous Improvement Review
Lottery	Internal Audit 2nd Quarter 2024 Scan of Drawing Results Memo Internal Audit 3rd Quarter 2024 Scan of Drawing Results Memo Internal Audit 4th Quarter 2024 Scan of Drawing Results Memo Internal Audit 1st Quarter 2025 Scan of Drawing Results Memo

Agency	Advisory Topic
OCB	Record Retention Project
ODF	Enterprise Risk Management
ODHS/OHA	Stabilization and Crisis Unit SPOTS Card Consult
OEM	EMAC Review ECC Procurement
OLCC	Customer Service Policy Review Reconciliation Process Review Chance to Purchase Independent Observer Coordination
OMD	Advisory Report: Leave for PANG 142nd Wing CAC Process Improvement and SOP Development Comparison Advisory Report: Centralized Personnel Plan Oregon Military Museum Strategic Planning Advisory Report: Vendor Pay and Advance Modeling SF270 DFAC Continuous Improvement Confidential OMD Risk Briefs
OPRD	ATV Risk Management Program Law Enforcement Contracting
OSP	Oregon State Medical Examiners

## Appendix E: Audit Committee Elements

Agency	Audit Committee	External Member	Board or Commission Member	Functional Reporting to Audit Committee
BIZ	Yes	Yes	N/A	Yes
DAS	Yes	Yes	N/A	Yes
DCBS	Yes	Yes	N/A	Yes
DELC	Yes	Yes	N/A	Yes
DEQ	Yes	Yes	Yes	Yes
DOC	Yes	Yes	N/A	Yes
DOJ	Yes	Yes	N/A	Yes
DOR	Yes	Yes	N/A	Yes
HECC	Yes	Yes	No	Yes
Lottery	Yes	Yes	Yes	Yes
OCB	Yes	Yes	Yes	Yes
ODA	N/A - No Program	N/A	N/A	N/A
ODE	Yes	Yes	Yes	Yes
ODF	No	N/A	N/A	N/A
ODFW	Yes	Yes	Yes	Yes
ODHS/OHA	Yes	Yes	N/A	Yes
ODOE	Yes	Yes	N/A	Yes
ODOT	Yes	Yes	Yes	Yes
ODVA	No	N/A	N/A	N/A
OED	Yes	Yes	N/A	Yes
OEM	Yes	Yes	N/A	Yes
OHCS	Yes	Yes	N/A	Yes
OJD	Yes	Yes	N/A	Yes
OLCC	Yes	Yes	Yes	Yes
OMD	Yes	Yes	N/A	Yes
OPDC	Yes	Yes	Yes	Yes

Agency	Audit Committee	External Member	Board or Commission Member	Functional Reporting to Audit Committee
OPRD	Yes	Yes	Yes	N/A - Contracted
OSP	Yes	Yes	N/A	Yes
OST	Yes	Yes	N/A	Yes
OYA	Vacant	N/A	N/A	N/A
PERS	Yes	Yes	Yes	Yes
SOS	N/A - No Program/ Position Granted FY26	N/A	N/A	N/A