

September 21, 2017

18-048

RESOLUTION FOR THE APPROVAL OF THE 2017 - 2018
INTERNAL AUDIT PLAN

PREPARED BY: Darrin Hotrum, Internal Auditor, Office of the President

APPROVED BY: Mark Mitsui, College President
Internal Audit Committee of the Board of Directors

REPORT: The International Standards for the Professional Practice of Internal Auditing require that the internal audit activity's plan of audit engagements must be based on a documented risk assessment. The accompanying 2017 - 2018 Internal Audit Plan summarizes the annual risk assessment that the Internal Auditor conducted and outlines the areas within PCC that the Internal Auditor plans to audit from August 2017 through July 2018. This plan was reviewed with the Board Audit Committee on August 8, 2017. Completion of the plan will be monitored at the quarterly Audit Committee meetings. The Audit Committee recommends the Board of Directors formally approve this plan.

RECOMMENDATION: That the Board of Directors approve the 2017-2018 Internal Audit Plan in Exhibit A.



Office of the Internal Auditor 2017/18 Internal Audit Plan

August 1, 2017 (SENT BY EMAIL)

To: Jim Harper, Board Director, Zone 4, Audit Committee Chair
Valdez Bravo, Board Director, Zone 5, Audit Committee Vice Chair

From: Darrin Hotrum, Internal Auditor

PCC Internal Audit has prepared the following audit plan for 2017/18. This plan was prepared based on the risk assessment performed by Internal Audit, which included input from the Board of Directors, management, faculty, and staff. The Internal Auditor also met individually with over 30 PCC employees and the external auditor to gather risk assessment information.

After your review, Internal Audit will finalize this plan and use it to conduct audit services for the period of August 2017 through July 2018. Internal Audit will report on progress and discuss any necessary adjustments at the routine audit committee meetings.

The audit plan includes four assurance audits in four of the eight auditable unit categories. This plan also includes consulting activities designed to provide communication on audit risks, manage the Ethics Point financial concerns hotline, perform follow-up audits, and implement quality control processes for Internal Audit. A description of the proposed audit activities and a calendar of expected completion are included in this document.

The Internal Auditor's role is to support the mission and values of Portland Community College by providing objective, independent, and assurance services that will augment the organization's operations and programs. The auditor helps to ensure that the institution's resources, assets, and program operations are systematically evaluated and risks are appropriately defined and rigorously managed.

cc: Mark Mitsui, District President
Jim Langstraat, Vice President for Finance and Administration
Eric Blumenthal, Associate Vice President for Finance and Administration

Risk Assessment

Purpose

The Office of the Internal Auditor performs an annual risk assessment for the purpose of developing a risk based audit plan which is subject to review by the Board of Directors Audit Committee.

Methodology

The risk assessment takes many factors into account including: surveys, interviews, prior risk assessments, existing audit requests, results of audit recommendation follow-ups, external audits, budgets, reorganizations, performance measures and benchmarks, and significant changes to PCC.

The risk assessment is summarized in a spreadsheet that rates the identified risks as high, medium, or low based on its potential likelihood and impact.

The results of the risk assessment are collected and evaluated based on auditor judgment. In order to select audit topics, we also consider:

- Results of the last audit
- Length of time since last audit
- The size and complexity of the operation
- Major changes in operations, programs, systems, or controls
- Risk of loss

Audit Universe

The audit universe is designed to identify the units or systems capable of receiving an audit and to prioritize available audit resources to areas of high risk. Internal Audit has divided the audit universe into eight main categories:

1. Governance
2. Safety & Preparedness
3. Auxiliary Services
4. Campus Operations
5. Financial Services

6. Information Technology
7. Student Services
8. Instruction & Academic Affairs

Audit Cycle

Internal Audit designs the annual audit plan to include audit activities at each of the eight main audit universe categories at least once every three years. The 2017 Audit Plan anticipates coverage in four of the eight main categories including; Financial Services, Campus Operations, Safety & Preparedness, and Information Technology.

Audit Plan

Available Resources

Based on past experience and benchmarking data from comparable internal audit offices, we estimate that 75% of the available hours will be direct hours spent on audit services while 25% will be indirect hours for activities such as administrative responsibilities, professional development, leave, and meetings.

This results in approximately 1,560 available hours for audit services based on the current staffing of one position. We will reserve approximately 150 hours (10%) for unplanned audit activities and audit requests.

Internal Audit generally provides two types of services:

Assurance Services are objective examinations of evidence for the purpose of providing an independent assessment.

Consulting Services are advisory and include other service activities such as counsel, advice, facilitation, training, and participation on standing or temporary management committees or project teams.

Assurance Services (880 Hours – 56%)

The following assurance audits are proposed to be performed given the current audit resources.

Procurement Card / Purchase Orders Audit (180 hours)

PCC has verified instances of theft of college resources through the inappropriate use of procurement cards and purchase orders in the past. While corrective actions have begun, the audit will review whether controls are adequate to ensure purchases with a procurement card or purchase order are for an approved and legitimate purpose and in compliance with purchasing rules.

Information Security Audit (200 hours)

PCC is subject to compliance with federal requirements for security of student data, health records, and personally identifiable information. The audit will be designed to assess the information security posture of PCC and the institutions ability to comply with federal requirements.

Emergency Response Planning Audit (200 hours)

PCC has a responsibility to students, faculty, staff, and the community to be prepared for emergencies. The audit will assess the college's ability to respond and recover from an emergency.

Hiring Practices Audit (200 hours)

PCC is required to comply with rules and laws governing hiring practices. The audit will assess the college's compliance and ability to train new staff on their roles and responsibilities.

Audit Follow-Up (100 hours)

Internal Audit will follow-up on prior audits and report the results to the audit committee. This includes internal audit recommendations and external audit recommendations when the external auditor does not plan to perform follow up work. Initially this will include audit recommendations made by the prior PCC Internal Auditor.

Additional assurance audits that could be performed instead of the audits previously listed or if there were more audit resources:

Facilities Management – Strategic Planning (Not Planned)

PCC has undergone considerable capital construction since the passage of a bond in 2008. The college hopes to continue these efforts with additional bond funding. For financial statement purposes, the external auditors Kenneth Kuhns, CPAs have reviewed bond expenditures for compliance with disbursement rules, contracting, and capitalization of assets. The internal audit would review whether there is a structure in place to coordinate between the bond funded capital construction efforts, the facilities management plan, and the strategic plan for the college.

Policy Management Audit (Not Planned)

The audit would review whether the policy management plan in place is sufficient to ensure policies are properly developed, approved, communicated, and maintained.

Americans with Disabilities Act Compliance Audit (Not Planned)

The audit would review the plans and processes in place to ensure PCC is compliant with ADA requirements.

Collections and Accounts Receivable Audit (Not Planned)

The audit would review whether the receipting and collections efforts by the college are maximized for revenue generation while still meeting standards of customer service.

Consulting Services (370 Hours – 24%)

Unplanned Requests (150 hours)

Internal Audit receives requests to provide assistance or advice. These activities are commonly of an informal nature and do not result in an audit report, but may result in recommendations. Consulting activities will be reported to the Audit Committee.

Hotline Management (120 hours)

Manage the Ethics Point reporting system to take and follow up on reports of financial concerns.

Outreach and Communication (100 hours)

These activities may include providing newsletter communications, training of best practices, and communicating common audit findings or risks that may apply to Departments and Campuses. OIA will initially work to update and communicate the PCC Ethics Guide.

Planning and Quality Control (310 Hours – 20%)

Risk Assessment / Audit Plan (120 hours)

Internal Audit will prepare a risk assessment and an audit plan for 2018/19.

Quality Assurance Program (100 hours)

Internal Audit will set time aside to review the activities of the office, track performance, and identify improvements, and implement the processes necessary to comply with the *International Standards for the Professional Practice of Internal Auditing* (Red Book standards).

Audit Committee Coordination (90 hours)

Internal Audit will prepare audit committee agendas and minutes, an annual report, documentation, and track committee and internal audit tasks.

Planned Quarterly Audit Activities

This is a tentative schedule that may change based on requests from the audited unit, additional audit requests, or other delays in completing the audit schedule as planned. Internal Audit will meet with the audit committee routinely to discuss any necessary adjustments to this schedule.

	Planned Activities
August – October 2017	Procurement Card / Purchase Orders Audit
	Follow Up Audits
	Consulting: Investigation Procedures & Ethics Guide
November 2017 – January 2018	Hiring Practices Audit
February – April 2018	Information Security Audit
	Follow Up Audits
May – July 2018	Audit Plan / Risk Assessment
	Emergency Response Plans and Preparedness