



**PUBLIC MEETING OF THE WOU BOARD'S
EXECUTIVE, GOVERNANCE AND TRUSTEESHIP COMMITTEE (EGTC)**

Meeting No. 42

October 28 2024 | 10:30-12:00 pm

To Observe This Meeting [Click Here](#) | By Phone: 1-253-215-8782

AGENDA

I. CALL-TO-MEETING AND ROLL CALL

II. COMMITTEE CHAIR'S WELCOME

III. CONSENT AGENDA

- 1) [Approval of the May 22, 2024 Meeting Minutes](#) (pg. 2)
- 2) [Approval of the June 6, 2024 Meeting Minutes](#) (pg. 5)

IV. REPORT & DISCUSSION ITEMS

- 1) Internal Audit Update David Terry, CPA, CFE, CIA & Ryan Schnobrich CPA, CIA
 - a) [Internal Audit Update](#) (pg. 7)
 - b) [Independent Validation of the Quality Assurance Review](#) (pg. 13)
- 2) Debriefing the Board of Trustees Retreat
- 3) Goal Setting Conversation for the 2024-2025 Academic Year.

V. ADJOURNMENT



**PUBLIC MEETING OF THE WESTERN OREGON UNIVERSITY
EXECUTIVE, GOVERNANCE, AND TRUSTEESHIP COMMITTEE (EGTC)**

Meeting No. 40

May 22, 2024 | 12:00 pm – 2:00 pm

Draft Meeting Minutes

I. CALL-TO- MEETING AND ROLL CALL

Chair Komp calls the meeting to order at noon and asks Secretary Sorce to do a rollcall:

The following Trustees are present: Trustee Susan Castillo, Trustee Gayle Evans, Trustee Nelsestuen, Chair Komp

The following Trustees were excused: Trustee Ambris

Other Staff Present: Board Secretary Evan Sorce, President Jesse Peters, David Terry, Ryan Schnobrich

II. CHAIR’S WELCOME AND ANNOUCEMENTS

Chair Komp welcomed everyone to the EGTC meeting and mentioned that she had completed the President’s evaluation and that she would like to have an additional meeting of the EGTC about his evaluation at a future date.

III. CONSENT AGENDA

a. Approval of the meeting minutes from April 5, 2024
Trustee Nelsestuen moves and Trustee Castillo seconds the approval of the April 5, 2024 EGTC meeting minutes. No additional discussion. The Vote was unanimous.

IV. ACTION ITEMS

a. Internal Audit Update:

i. Proposed Internal Audit Plan FY 2024-2025

Chair Komp introduced David Terry from the Internal Audit Team, who went over his report, which can be found on page 5 of the docket. On Page 9 of the docket, which discusses the Rick Assessment, Trustee Nelsestuen asked if FY 25 was next year and Mr. Terry Confirmed. After Mr. Terry’s presentation, Trustee Evans asked Mr. Terry to explain more about why he picked the two audits he did for the following year. Mr. Terry attempted to answer Trustee Evans question and a large conversation around specific divisions to audit. Mr. Terry was also asked what the Carrots in the column “IA Planned for FY25” meant. He answered that there is some assurance of coverage in the external audits that WOU is required by law to conduct every year.

Trustee Castillo moves that the Western Oregon University Executive, Governance and Trusteeship Committee accept the Internal Audit Plan FY



2024-2025 as included in the docket material. Trustee Nelsestuen seconded the motion. There was no further discussion on the motion. The motion passed unanimously.

b. Discussion of Proposed Board of Trustees Schedule for FY 2024-2025

Chair Komp asked Secretary Sorce to discuss the Proposed Board of Trustees Schedule for 2024-2025 and 2025-2026. Secretary Sorce discussed the feedback he received from each subcommittee and each Trustee who is continuing on the board. This schedule is a guideline, and we can shift a date around it if necessary. Trustee Nelsestuen asked if we needed to vote on the schedule. The answer is no; we will just put this in place.

c. Update on SB 273 Governance Changes to Board Statements.

Chair Komp asked Secretary Sorce to give an overview on how we are going to do this process. As a reminder, SB 273 was passed by the Oregon Legislature in 2023 and it requires that Public Universities in Oregon update their governing documents and ensures the board makeup reflects what is prescribed in the bill. Page 28 in the docket outlines the changes to each board statements we are considering. Chair Komp decided to go over the changes of each policy. For the purposes of these minutes, discussion will reflect on changes that were made in committee to reflect changes from the docket.

1. Board Statement on Board Vacancies

- a. Changed 3.2 to remove the list of information from 3.2.1-3.2.5 and added the following statement. The needs assessment will assist the Board Chair, with the input of individual trustees, including the university's president, in identifying candidates for the vacancy, and ensuring a diverse perspective on the board.
- b. Changed the term "interview" to a conversation in 4.2 and 4.3

2. Board Statement on Responsibilities of the Individual Trustees

- a. Removed "including making requests for information from" in section 4.0
- b. Changed "Duty of Obedience" to "Duty of Compliance" throughout the document.

3. Board Statement on the Performance of Official Business



a. No Changes from Docket.

4. Board Statement on Ethics and Conflict of Interest

a. Changed “Duty of Obedience” to “Duty of Compliance” throughout the document.

5. Board Statement on Presidential Vacancies

a. No Changes from the Docket

6. Performance Evaluation of the University President

a. Added the word “duty” to the opening sentence in section 1.0.

b. There was a long discussion regarding how often a Comprehensive Review should take place. It was ultimately agreed to change the frequency to every three years.

Trustee Evans moved that the Western Oregon University Executive, Governance, and Trusteeship Committee accept the Updates of the Western Oregon University Board Statements En Bloc with edits discussed at the May 22nd meeting. Trustee Castillo seconded the motion. In the discussion, Chair Komp wanted it noted for the record that the EGTC went through every board statement and made changes as needed, and she is comfortable moving forward. The motion was approved unanimously.

V. REPORTS & DISCUSSION ITEMS:

a. Discussion of Self-Evaluation of the Board Process

Secretary Sorce discussed it was the goal of Board Leadership to start developing the parameters of a Board Self-Evaluation. That hopefully this is one of the projects during the summer that Secretary Sorce can work with Board leadership to develop a draft questionnaire that we can share with the EGTC and then the full board at a future date. The Board expressed support with this idea.

VI. ADJOURNMENT

Chair Komp adjourned the meeting at 2:02pm.



**SPECIAL PUBLIC MEETING OF THE WESTERN OREGON UNIVERSITY
EXECUTIVE, GOVERNANCE, AND TRUSTEESHIP COMMITTEE (EGTC)**

Meeting No. 41

June 6, 2024 | 1:30 pm – 3:00 pm

Draft Meeting Minutes

I. EXECUTIVE SESSION : PRESIDENT’S PERFORMANCE EVALUATION

The EGTC convened in executive session pursuant to ORS 192.660(2)(f) and ORS 192.660(2)(i). Representatives of institutionalized news media were permitted to attend under ORS 192.660(4) on the condition that matters discussed in the executive session remain undisclosed. Pursuant to ORS 192.660(6), there was no action during the executive session.

II. CALL-TO- MEETING AND ROLL CALL

Chair Komp calls the public meeting to order at 2:45pm and asks Secretary Sorce to do a rollcall:

The following Trustees are present: Trustee Susan Castillo, Trustee Gayle Evans, Trustee Nelsestuen, Chair Komp

The following Trustees were excused: Trustee Ambris

Other Staff Present: Board Secretary Evan Sorce, President Jesse Peters,

III. CHAIR’S WELCOME AND ANNOUCEMENTS

Chair Komp welcomed everyone to the EGTC meeting on June 6th and we just came out of Executive Session and ready to complete the public portion of the meeting.

IV. ACTION ITEMS

a. President’s Contract Review:

Trustee Susan Castillo moved the approval of President Jesse Peters Contact Review and Chair Komp seconded the motion. There was no additional discussion and the motion was approved unanimously.

b. Update on SB 273 Governance Changes to Board Statements:

Chair Komp asked Secretary Sorce to lead the conversation around updating one more Board Statement for Compliance of SB 273. That Board Statement was the Delegation of Authority, and the Executive Summary of the changes can be found on page 2 of the docket. The lone change on this board statement requires the President’s office to review the university’s practices and policies relating to transparency and access. The review shall be presented to the Policy Council for comment.

Trustee Evans moves that the Western Oregon University Executive, Governance, and Trusteeship Committee accept the update to the Board



Statement on the Delegation of Authority as included in the docket material. Trustee Nelsestuen seconded the motion. There was no discussion on the motion, and the motion was approved unanimously.

c. Discussion of the Draft SB 273 Implementation Report.

Chair Komp asked Secretary Sorce to discuss the draft SB 273 Implementation Report. Secretary Sorce discussed the draft report, which is an executive summary and can be found starting on page 23 of the docket. Secretary Sorce asked the committee for guidance on whether the report looked like what they were hoping to see. The board expressed support for the report's framework.

d. Recommendation of Awarding an Honorary Degree

Since the authority of awarding honorary degrees rests with the Board of Trustees, President Peters requested that the Board of Trustees Awarded an Honorary Doctoral Degree to Representative Andrea Salinas for her work in the life work in the public sphere here in Oregon and a commitment to support Western Oregon University at the Federal Level. To our knowledge this will be the second time in our recent history of awarding an Honorary Degree, the first was Dr. Richard Woodcock in 2006. The committee unanimously approved the awarding of an Honorary Doctoral Degree to Representative Andrea Salinas.

Trustee Evans moved that the Western Oregon University Executive, Governance, and Trusteeship Committee accept the Updates of the Western Oregon University Board Statements En Bloc with edits discussed at the May 22nd meeting. Trustee Castillo seconded the motion. In the discussion, Chair Komp wanted it noted for the record that the EGTC went through every board statement and made changes as needed, and she is comfortable moving forward. The motion was approved unanimously.

V. ANNOUNCEMENTS:

President Peters wanted to remind the committee that the Board needs to select a Chair in the June Board meeting. So, there should be conversation amongst the Board to identify potential candidates for the position. Currently Chair Komp is the Chair until July 1, but if no one is selected at the June meeting Chair Komp will continue on until a new Chair is selected. There are no statutory term limits to Chair, but there are limits in our bylaws.

President Peters and Secretary Sorce also updated the EGTC on the process of getting potential Board of Trustees candidates the submit their applications.

VI. ADJOURNMENT

Chair Komp adjourned the meeting at 3:15 pm.

Internal Audit Update

Presented
by

David Terry, CPA, CFE, CIA
&
Ryan Schnobrich, CPA, CIA

October 2024

Objectives of Update

- 1) Results of IIA Quality Assurance Peer Review
- 2) Provide a status update on the annual internal audit plan and engagements in progress.
- 3) Open Discussion

Objective 1 – Results of Quality Assurance Peer Review

Every five years internal audit is required to complete a quality assurance peer review of compliance with Institute of Internal Auditors (IIA) Standards.

Objective 2 – Update on FY25 Internal Audit Plan

- 1) **Financial Aid Agreed Upon Procedures** – Draft report completed, awaiting management response.
- 2) **Clery Act Compliance Review** – Report completed/issued.
- 3) **HR/Payroll Benefits Internal Controls** – ~30% complete, finishing planning, entrance conference held, interviews being scheduled.
- 4) **Journal Voucher Internal Controls** – ~20% complete, planning in process

Objective 2 – Clery Act Compliance Review

- Culture of Compliance
- Campus Security Authorities
- Drug and Alcohol Abuse Prevention Program
- Clery Geography
- Timely Warnings & Emergency Notifications
- Crime Log & Crime Statistics
- Education Programs & Disciplinary Procedures
- Annual Security Report
- Victim's Rights
- IT Access Controls & Data Integration
- Emergency Phones
- CPS Ride/Walk Services

Objective 3 – Open Discussion

Questions?

Portland State University (PSU)

Internal Audit Office (IAO)

Self-Assessment with External Validation

Quality Assurance Review (QAR)

October 9, 2024

Reviewers:

Marion Candrea, CIA, CFE

Jana Clark, MBA, CIA, CICA, CRMA, CFE

Portland State University – Quality Assurance Review, Self-Assessment with External Validation

October 9, 2024

*This Validation of the Self-Assessment of the Portland State University Internal Audit Office was performed in accordance with The Institute of Internal Auditors (IIA) Quality Assessment Manual, 2017 Edition. The primary purpose of a Quality Assessment (QA) is to determine the internal audit function's conformance with the International Standards for the Professional Practice of Internal Auditing. There are three possible outcomes of the QA: the internal audit program **generally conforms**, **partially conforms** or **does not conform** with the Standards.*

To: Mr. David Terry, Director of Internal Audit, Portland State University

Dear Mr. Terry:

We were engaged as validators to conduct an Independent Validation of the Quality Assurance Review (QAR) self-assessment of the Portland State University (PSU) Internal Audit Office (IAO) as required every five years by the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* (IIA Standards). The objectives of the QAR were to:

1. Assess conformance with the current 2017 version of the IIA Standards;
2. Assess the effectiveness and efficiency of the Internal Audit activity in providing services to the Board of Trustees and PSU management; and
3. Identify opportunities for improving the Internal Audit Program at PSU.

We are independent of Portland State University and have the necessary knowledge and skills to undertake this engagement. The validation, conducted virtually during July and on-site August 5, 2024, through August 8, 2024, consisted primarily of reviewing and testing the self-assessment documentation. Additionally, we interviewed PSU key administrators, members of the Board of Trustees, and the Chair of the Executive & Audit Committee. These interviews helped gain a better understanding of the internal control environment within which PSU's internal audit office operates. Overall, it is our opinion that **PSU's Internal Audit Office generally conforms to the IIA Standards**, the highest rating available. We noted four opportunities for improvement that could enhance the efficiency and effectiveness of the Internal Audit Program that are described in this report.



Marion Candrea, CIA, CFE
Associate Vice President, Internal Audit
& Advisory Services
Boston University
Boston, MA



Jana Clark, MBA, CIA, CICA, CRMA, CFE
Chief Audit Executive
Kansas State University
Manhattan, KS

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Executive Summary

An independent review team made up of professionals from Boston University and Kansas State University conducted an independent validation of the Quality Assessment Review self-assessment of Portland State University (PSU) Internal Audit Office (IAO). The work was conducted in accordance with the requirements of the current 2017 version of the *International Standards for the Professional Practice of Internal Auditing* (the *Standards*).

The PSU Internal Audit Office utilized the Institute of Internal Auditors (IIA) Quality Assessment Manual, 2017 Edition. The independent review team assessed the PSU IAO utilizing the same manual, also highlighting opportunities to prepare for the implementation of the 2024 Global Internal Audit Standards (*New Standards*). The main purpose of this QAR is to determine internal audit's conformance with the current *Standards*.

Overall, it is our opinion that the PSU Internal Audit Office **Generally Conforms** with the IIA *Standards*, which is the highest rating available. We noted the following leading practices employed by PSU Internal Audit Office:

- **Engagement Supervision**
- **Commitment to Professional Development**
- **Creativity of Resources**
- **Reputation as a Trusted Advisor**

Additionally, during our review, we noted a few opportunities for improvement within PSU Internal Audit Office:

- **Report on the Quality Assurance and Improvement Program**
- **Enhance Policies & Procedures**
- **Assess Upcoming Resource Needs**
- **Conformance with Code of Ethics**

Details related to each item noted above are included in this report, along with PSU IAO's management response. We would like to thank Portland State University for the cooperation and assistance during this peer review.

Conformance with IIA Standards

Generally Conforms means that internal audit has a charter, policies and processes that are judged to meet the spirit and intent of the IIA *Standards* with some potential opportunities for improvement.

Partially Conforms means deficiencies in practice are noted that are judged to deviate from the spirit and intent of IIA *Standards*, but these deficiencies did not preclude internal audit from performing its responsibilities in an acceptable manner.

Does Not Conform means deficiencies in practice are judged to be so significant as to seriously impair or preclude internal audit from performing adequately in all or in significant areas of its responsibilities.

Overall, the Portland State University Internal Audit Office was determined to **Generally Conform to IIA Standards, the highest rating available**. While improvement opportunities remain in various areas, they did not preclude this assessment.

We concluded the following standards **Generally Conform** to the IIA *Standards*.

- 1000** - Purpose, Authority, and Responsibility
 - 1100** - Independence and Objectivity
 - 1200** – Proficiency and Due Professional Care
 - 1300** - Quality Assurance and Improvement Program
 - 2000** – Managing the Internal Audit Activity
 - 2100** - Nature of Work
 - 2200** – Engagement Planning
 - 2300** – Performing the Engagement
 - 2400** - Communicating Results
 - 2500** – Monitoring Progress
 - 2600** - Communicating the Acceptance of Risk
- IIA Code of Ethics**

We did identify four (4) Opportunities for Continuous Improvement, although the improvements do not preclude our opinion that the PSU IAO generally conforms to the IIA *Standards*. More details can be found on page seven (7).

Leading Practices of the PSU IAO

Engagement Supervision – The PSU IAO utilizes a quality control log to ensure objectives are achieved and high standards are maintained. Supervision is done throughout the audit process and encompasses all audit staff, which ensures employees are cultivated.

Commitment to Professional Development – PSU Director of IAO recognizes the rapidly evolving landscape in higher education and the need for staff to have a skill set to match the current needs of PSU. PSU’s Director of IAO champions employee learning and development. In addition, PSU IAO has established a student intern program, which is mentoring future auditors. The student intern program not only gives students valuable work force experience, but also provides a salary which helps support the student’s future academic endeavors.

Creativity of Resources – PSU IAO established the Center for Internal Audit, which provides audit services to other agencies in the State of Oregon who do not have a dedicated internal audit function. The Center’s purpose is to provide an additional source of revenue to PSU IAO. The Center is fully funded by these external engagements and provides additional resources for PSU staff to pursue professional development. It also provides an avenue for PSU IAO to obtain subject matter expertise in critical risk areas that require specialized knowledge. The Center has obtained all contracted clients due to the PSU IAO’s positive reputation throughout Oregon for providing high quality work.

Reputation as Trusted Advisor – Throughout interviews of audit clients, management, and Executive Leadership at PSU, it became apparent the Director of PSU IAO is highly regarded as collaborative, professional, responsive, and thorough. Management feels comfortable seeking their opinion when challenging issues arise.

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Opportunities for Continuous Improvement

GENERALLY CONFORMS to STANDARDS – ENHANCEMENTS

[PSU IAO conforms to the IIA Standards noted below; the items presented are suggested enhancements to the internal audit operations. As these are suggestions, no response by the Director is necessary.]

OPPORTUNITY (1) PROFICIENCY

Standard 1210 states, “Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.” A majority of PSU personnel interviewed during the QAR noted a lack of resources for PSU IAO. Some interviewees stated additional audit work is not requested due to PSU IAO’s lack of resources. In the past year, the FTEs assigned to PSU IAO have decreased from 2.0 FTE to 1.8 FTE. Further, PSU IAO has developed the Center for Internal Audit (Center), which provides internal audit services to other agencies in Oregon. The revenue generated by the Center allows PSU IAO to fund external consultants to provide services where skill sets are lacking. Without the additional revenue provided by the Center, the current budget is not sufficient to allow PSU IAO to obtain external expertise.

RECOMMENDATION PSU Executive Leaders and the Board of Trustees should consider performing an analysis of the current staffing and budget. Investing in increased staffing and budget is a strategic decision that will address current challenges, enhance organizational performance, and support PSU’s long-term goals.

MANAGEMENT’S RESPONSE The Director of Internal Audit (Director) generally agrees with this observation denoted by the peer review team. The IIA standards require the internal audit function to possess the knowledge, skills, and abilities to be able to audit any topic selected at PSU, or have the resources to contract out the audit work to subject area experts if the skills needed are not possessed within the office. During the self-assessment process for this periodic peer review, the PSU Internal Audit Office self-identified that they lack sufficient resources to hire and retain a dedicated IT auditor and/or to have the ability to contract out specialized IT audit work that is needed at PSU. To help address this gap in skill sets, the Director has utilized the net revenues generated from the Center for Internal Audit to contract with an external firm to conduct an IT penetration audit test recently as IT risks and the related IT controls implemented to mitigate IT risks have been deemed a high priority at PSU. Moreover, the Director has benchmarked the PSU Internal Audit department’s staffing to other institutions of higher education that the

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Director views as peer institutions. This benchmarking shows that PSU should have approximately 2.5 to 3 FTE of internal audit staff for an institution the size¹ of PSU.

The general fund budget allocated to the PSU Internal Audit Office started out at \$410,817 for fiscal year 2015 and has decreased over the years to \$368,499 for fiscal year 2024. The department's budget has reached the point that the fiscal year 2024 general fund budget allocation was not sufficient to fully staff the department's 2.0 FTE that have been historically employed since the creation of the office in fiscal year 2015. To help continue to employ 2.0 FTE of staffing and continue core services provided to PSU, the Director had to move 20% of the Senior Internal Auditor's position cost to the Center for Internal Audit to be able to employ the Senior Internal Auditor position and to not have to make the decision to reduce this position to below 1.0 FTE.

As budget allocation and approval decisions are the responsibility of the Board and PSU executive management, the Director will plan to work with the Board and PSU executive management to assess and address this recommendation.

OPPORTUNITY (2) REPORTING ON THE QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Standard 1320 states, "The chief audit executive must communicate the results of the quality assurance and improvement program to senior management and the board." Interviews conducted with PSU personnel during the QAR revealed communication was occurring with the Executive & Audit Committee regarding the scope and frequency of internal and external assessments, qualifications and independence of the assessment team, conclusions of the assessors, corrective action plans, and the assessment team's evaluation with respect to the degree of conformance. However, those conversations noted that an opportunity exists for the Director of PSU IAO to communicate the results to senior management as well.

¹ Size was primarily defined as number of students,

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RECOMMENDATION The results of the quality assurance and improvement program should be communicated to senior management. Communication should include the necessary requirements of the *Standards* and should occur on a regular basis.

MANAGEMENT'S RESPONSE The Director of Internal Audit (Director) generally agrees with this recommendation. As the peer review team noted in their report, the Director does communicate information to the Board Executive & Audit Committee regarding the Quality Assurance and Improvement Program (QAIP). To help address the recommendations made by the peer review team, the Director plans to discuss the QAIP process with management personnel during periodic meetings that the Director has with management for the annual risk assessment process. Furthermore, the Director will be reviewing the requirements of the new IIA standards that were recently issued to further determine if QAIP process may need to be further enhanced to comply with the new IIA standards. The Director plans to implement the proposed QAIP communication enhancement process to PSU management during the annual risk assessment process, which will be next conducted during Spring of 2025.

OPPORTUNITY (3) POLICIES AND PROCEDURES

Standard 2040 states, “The chief audit executive must establish policies and procedures to guide the internal audit activity. The form and content of policies and procedures are consistent with and appropriate for the size and structure of the internal audit activity and the complexity of its work.” While the PSU IAO has a procedure manual that contains guidance for conducting an internal audit, the manual lacks administrative policies. In addition, with the implementation of the Center for Internal Audit (Center), the manual was not updated to include the policies and procedures surrounding activities of the Center and the reporting structure for employees of the Center.

RECOMMENDATION Policies and procedures of PSU IAO should be updated to include administrative policies and details of the relationship and activities of the Center for Internal Audit.

MANAGEMENT'S RESPONSE The Director of Internal Audit (Director) generally agrees with the recommendation made by the peer review team. The Director will plan to take steps to update sections of the Internal Audit Office Procedures Manual to clearly articulate administrative policies that PSU internal audit personnel follow at PSU. These updates to the Internal Audit Office Procedures Manual will be implemented by December 1, 2024. The Director plans to include the following in the internal procedures manual update:

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- 1) Information that outlines the annual evaluation process for internal audit employees, which is currently listed on the PSU Human Resources website at <https://www.pdx.edu/human-resources/>
- 2) Reporting structure of internal audit positions. Currently, supervisory reporting structures are listed in each employee’s job description, which is maintained in Human Resources and employees receive a copy of their job description upon hire at PSU.
- 3) Information that outlines the administrative requirements to report monthly leave time, which are currently listed on the PSU Human Resources website at <https://www.pdx.edu/human-resources/reporting-time>
- 4) Administrative processes for submitting personal reimbursement and travel reimbursements, which are currently listed on the PSU website at <https://www.pdx.edu/financial-services/accounts-payable> and <https://www.pdx.edu/financial-services/travel> respectively.
- 5) Administrative information on the Center for Internal Audit Operations².

OPPORTUNITY (4) CODE OF ETHICS

The Standard for the Code of Ethics requires the internal audit function to establish a departmental policy setting forth the expectation that the internal audit activity conforms with the Code of Ethics, there is evidence the policy is communicated and understood by internal audit staff, and internal auditors apply and uphold the principles of integrity, objectivity, confidentiality, and competency. During the QAR, we saw evidence of internal auditors applying and upholding the four required principles; however, the Internal Audit Office did not have a departmental policy stating a requirement to conform with the Code of Ethics.

RECOMMENDATION The QAR Validators recommend PSU IAO develop a policy that includes that expectation of internal audit staff to conform with the IIA’s Code of Ethics. The policy should be included in the audit procedures manual. In addition, a process should be established whereby the policy is reviewed by internal audit staff on a regular basis, as determined by the Director of the IAO.

MANAGEMENT’S RESPONSE The Director of Internal Audit (Director) generally agrees with this technical observation and recommendation denoted by the peer review team and will take steps to specifically articulate in each employee’s annual conflict of interest and confidentiality forms that they must adhere to the IIA Code of Ethics for their internal audit work. This update to the forms will be implemented during fiscal year 2025. The Director did disclose to the peer review team the following regarding the IIA Code of Ethics during the review process:

² Operations includes information on contracts with the organizations the Center provides services to along with other administrative processes these staff follow for working on Center projects.

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- 1) The Code of Ethics is displayed on the public facing PSU Internal Audit Office website at <https://www.pdx.edu/internal-audit/> .
- 2) The IIA Code of Ethics is referenced in the PSU Internal Audit Charter that was approved by the Board of Trustees, which is also listed on the public facing PSU Internal Audit Office website at <https://www.pdx.edu/internal-audit/>.
- 3) The Director of Internal Audit, the Senior Internal Auditor position, and the Manager for the Center for Internal Audit all hold current Certified Internal Auditor (CIA) licenses. During the annual renewal of the CIA license, license holders must attest to the IIA that they will follow the IIA Code of Ethics for the internal audit work they perform.
- 4) The PSU Internal Audit Office procedures manual contains a section for ethical considerations that internal audit personnel must consider for each audit project. The Director acknowledges that this section of the manual does not specifically use the wording “IIA Code of Ethics”, which can be added during the Internal Audit Office Procedures Manual update that is planned to address Opportunity #3 above. Additionally, there is a procedural step within the audit planning phase for each audit project to review each auditor’s independence and objectivity for the audit topic being performed to help ensure there are no conflicts of interest or ethical situations that would restrict staff from working on the audit project.

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GAP ANALYSIS of GLOBAL INTERNAL AUDIT STANDARDS

In January 2024, the Institute of Internal Auditors (IIA) introduced new Global Internal Audit Standards (*New Standards*) that would replace the current International Professional Practice Framework Standards (*Standards*). The *New Standards* will take effect on January 9, 2025. This QAR was conducted under the current *Standards*, which are in effect as of the date of this report. The IIA has encouraged internal audit functions to begin assessing its future state conformance with the *New Standards* as soon as possible.

It is our understanding that the Director has already started conducting a gap analysis of current office practices against the *New Standards* to identify any changes that need to be implemented to align with *New Standards*. We commend the Director for this proactive approach to conformance.

While we did NOT conduct our own gap analysis of conformance with the *New Standards* as noted above, we did encounter items in the course of our review that will likely need to be considered for conformance when they go into effect in 2025. We have summarized these items below:

1) Domain 1: Purpose, Authority, and Responsibility - Principle 1: Purpose, Authority, and Responsibility and Principle 2: Internal Audit Charter

Both of these principles outline the essential and mandatory components that must be included in the Internal Audit Charter. The introduction of the *New Standards*, which also updates the definition of Internal Auditing, is a good time to review, revise, and approve the Charter as needed. It will be important to clearly identify mandatory elements.

2) Domain II: Performing the Engagement – Principle 12: Communicating Results

This principle emphasizes that internal auditors must communicate the results of engagements in a clear and comprehensive manner, which also includes providing an overall opinion or conclusion. The current *Standards* do not require internal audit reports to include an overall opinion; however, the *New Standards* will. In anticipation of the new requirement, we recommend the Director work with the President and E&AC Chair to discuss potential levels of opinion and the criteria associated with each one so it can be communicated to, and socialized with, IAO's key stakeholders.

3) **Domain III: Managing the Internal Audit Function – Principle 10: Managing Performance**

This principle focuses on the importance of establishing performance metrics to manage and improve the effectiveness and efficiency of the internal audit function. The current *Standards* do not require internal audit to establish formal metrics; however, the *New Standards* will. In anticipation of the new requirement, the Director should discuss potential metrics with the PSU President and E&AC Chair to determine relevant, reasonable, and feasible metrics to begin tracking. Some metrics used by other internal audit functions within higher education for consideration include, but are not limited to:

- Percentage of audit plan completion (normalized against unplanned projects)
- Stakeholder feedback score (if Client Satisfaction Survey used)
- Number of ad-hoc management requests received in a year
- Average cycle time of investigations
- Staff competency and professional development metrics:
 - Average training hours per staff
 - Number of certified staff
 - Number of staff with Masters degrees
 - Average years of audit experience
- Year-over-year retention rates
- Percentage of recommendations agreed to by management
- Number of findings or recommendations addressed or resolved
- Percentage of high-risk areas or key business processes audited within a certain period
- Number of recommendations implemented within the agreed-upon timeframe
- Number of repeat findings

These metrics should be considered in the context of the size and complexity of the audit function and will vary from institution to institution.

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Appendices

Appendix I - Engagement Methodology

Review procedures included:

- Review of background/organizational materials regarding the Portland State University (PSU) Internal Audit Office (IAO)
- Review of the PSU Internal Audit Charter
- Review of QAR advance preparation materials providing background on the internal auditing program and practices
- Review of the PSU IAO annual audit plans and its development process
- Review of selected internal audit project work papers and reports
- Review of training histories for staff
- Interview with the PSU former and current Chair of the Executive & Audit Committee
- Interview with member of Board of Trustees
- Interview with Vice Chair of Board of Trustees
- Interview with PSU President
- Interviews with PSU senior management
- Interviews with PSU IAO Director and staff
- Interviews with Center for Internal Audit staff
- Interviews with selected Center for Internal Audit clients
- Review of audit follow-up practices and reporting of follow-up activities
- Review of prior quality assessment reports

Appendix II – List of Stakeholders Interviewed

PSU Board of Trustees

Mr. Greg Hinckley, former Executive & Audit Committee Chair, PSU Board of Trustees
Mr. Ben Berry, Executive & Audit Committee Chair, PSU Board of Trustees
Ms. Antoinette Chandler, Vice Chair, PSU Board of Trustees
Ms. Sheryl Manning, Chair, Finance and Administration Committee, PSU Board of Trustees

PSU Senior Management

Dr. Ann Cudd, President
Ms. Cindy Starke, General Counsel
Dr. Rick Tankersley, Vice President, Research
Mr. Chuck Knepfle, Vice President, Enrollment Management
Ms. Michelle Gioavannozzi, Assistant Vice President, Academic Innovation
Mr. Gary Sandine, Chief Information Security Officer
Mr. Jason Abbott, Controller

Center for Internal Audit Clients

Mr. Daniel Santos, Chair, Executive & Audit Committee, Southern Oregon University Board of Trustees
Mr. Shadron Lehman, Controller, Western Oregon University
Mr. Eric Timmons, Associate Director of Park Improvement, Oregon Parks & Recreation Department
Mr. Kevin Strandberg, Operations Manager, Oregon Parks & Recreation Department

PSU Internal Audit Team

Mr. David Terry, Director
Ms. Amy Smith, Senior Internal Auditor
Mr. Ryan Schnobrich, Manager, Center for Internal Audit
Ms. Heather Lundborg, Intern, Center for Internal Audit

Portland State University – Quality Assurance Review, Self-Assessment with External Validation

Appendix III – QAR Summary of Conformance Evaluation

	GC	PC	DNC
Overall Evaluation	✓		

Attribute Standards (1000 through 1300)		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	✓		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	✓		
1100	Independence and Objectivity	✓		
1110	Organizational Independence	✓		
1111	Direct Interaction with the Board	✓		
1112	Chief Audit Executive Roles Beyond Internal Auditing	N/A		
1120	Individual Objectivity	✓		
1130	Impairment to Independence or Objectivity	✓		

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Portland State University – Quality Assurance Review, Self-Assessment with External Validation

1200	Proficiency and Due Professional Care	✓		
1210	Proficiency		✓	
1220	Due Professional Care	✓		
1230	Continuing Professional Development	✓		
		GC	PC	DNC
1300	Quality Assurance and Improvement Program	✓		
1310	Requirements of the Quality Assurance and Improvement Program	✓		
1311	Internal Assessments	✓		
1312	External Assessments	✓		
1320	Reporting on the Quality Assurance and Improvement Program		✓	
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	✓		
1322	Disclosure of Nonconformance	N/A		

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Portland State University – Quality Assurance Review, Self-Assessment with External Validation

Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	✓		
2010	Planning	✓		
2020	Communication and Approval	✓		
2030	Resource Management	✓		
2040	Policies and Procedures		✓	
2050	Coordination and Reliance	✓		
2060	Reporting to Senior Management and the Board	✓		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	✓		
2100	Nature of Work	✓		
2110	Governance	✓		
2120	Risk Management	✓		
2130	Control	✓		

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Portland State University – Quality Assurance Review, Self-Assessment with External Validation

2200	Engagement Planning	✓		
2201	Planning Considerations	✓		
2210	Engagement Objectives	✓		
2220	Engagement Scope	✓		
2230	Engagement Resource Allocation	✓		
2240	Engagement Work Program	✓		
2300	Performing the Engagement	✓		
2310	Identifying Information	✓		
2320	Analysis and Evaluation	✓		
2330	Documenting Information	✓		
2340	Engagement Supervision	✓		
2400	Communicating Results	✓		
2410	Criteria for Communicating	✓		

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Portland State University – Quality Assurance Review, Self-Assessment with External Validation

2420	Quality of Communications	✓		
2421	Errors and Omissions	N/A		
2430	Use of “Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	✓		
2431	Engagement Disclosure of Nonconformance	N/A		
2440	Disseminating Results	✓		
2450	Overall Opinions	✓		
2500	Monitoring Progress	✓		
2600	Communicating the Acceptance of Risks	✓		

Code of Ethics		GC	PC	DNC
	Code of Ethics		✓	

Appendix IV – Biography of Reviewers

Marion Andrea, CIA, CFE is the Associate Vice President, Internal Audit & Advisory Services at Boston University. She has over 16 years of internal audit experience within higher education, having also worked within Internal Audit at Rutgers University and Ohio University. In addition to leading audit teams, Marion has also been responsible for facilitating Enterprise Risk Management, managing an institution’s ethics hotline, and overseeing compliance personnel. Marion received her Bachelor of Science in Accounting from The College of New Jersey and is both a Certified Internal Auditor and a Certified Fraud Examiner. She is also a member of the Institute of Internal Auditors and the Association of Certified Fraud Examiners.

Marion is an active volunteer with the Association of College and University Auditors (ACUA). She has held numerous leadership roles with the organization—currently serving as the President of the Board of Directors. One of her most coveted accomplishments includes being the recipient of ACUA’s 2017 *Rising Star* award. Marion has participated in both support and lead roles on several QAR peer reviews including, but not limited to, Tennessee Board of Regents, Montana State University and University of Montana, University of South Carolina, Florida Atlantic University, and the University of Cincinnati among others. She truly enjoys giving back to the profession while also learning best practices from her colleagues.

Jana Clark, MBA, CIA, CICA, CRMA, CFE, is the Chief Audit Executive at Kansas State University in central Kansas. She holds a Bachelor of Science degree in Secondary Education with an emphasis in Biological Sciences from Kansas State University and a Master in Business Administration degree from Emporia State University. Jana has over 15 years of internal audit and accounting/finance experience in the industries of higher education, health care, and retail. She also was charged with leading the Sarbanes-Oxley effort for a publicly traded retail company. Jana has performed and/or led external QAR validations for the University of Calgary, Colorado State University, Tennessee Board of Regents, University of New Mexico, and Georgia Southern University. Jana’s professional activities include serving as an Association of College and University Auditors (ACUA) Board Member at Large (2022-present) AuditCon Conference Director (2020-2022), Audit Interactive Conference Director (2020-2021), distance learning director (2016-2017), track coordinator, proctor, speaker, conference planning committee member, and member of the mid-year conference host committee, as well as a speaker/presenter at the Big 12 Internal Audit Conference. Jana is a member of the Topeka Chapter of the Institute of Internal Auditors (IIA), the Association of Certified Fraud Examiners (ACFE), and the Institute for Internal Controls (IIC).

We appreciate the opportunity to be of service to Portland State University and the courtesies and cooperation extended to us throughout this review.