

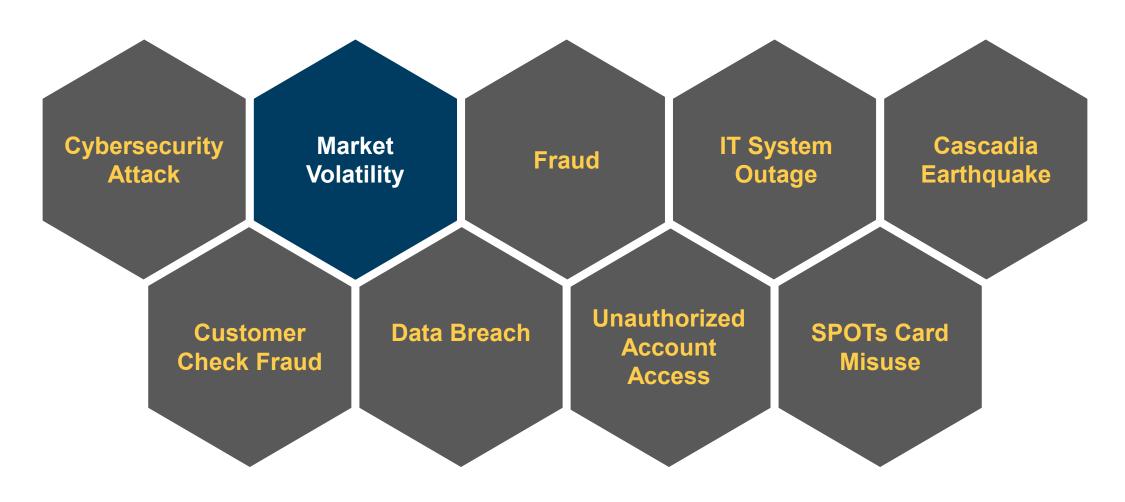


Risks Can Be Positive Or Negative





Treasury Faces A Variety Of Risks





We Start By Assessing Risk

			Inherent Risk Ranking				
Likelihood	Imminent	5	Low	Moderate	High	Critical	Critical
	Frequent	4	Low	Moderate	High	High	Critical
	Occasional	3	Very Low	Low	Moderate	High	High
	Infrequent	2	Very Low	Very Low	Low	Moderate	Moderate
	Rare	1	Very Low	Very Low	Low	Low	Moderate
			1	2	3	4	5
			Very Low	Low	Moderate	High	Critical
			Impact				



Managing Risks: Avoiding And Transferring





Managing Risks: Mitigate and Accept

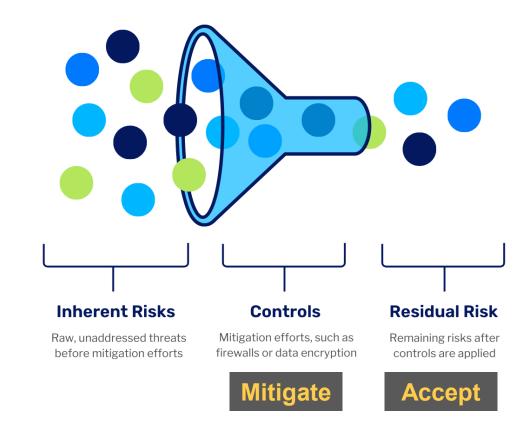




Application Of Internal Controls

Strategy Selection
Is About Making
Choices And Acting
Trade-offs

Inherent Risk vs Residual Risk





Every Control Has A Cost

"An Effective System Of Internal Control Demands More Than Rigorous Adherence To Policies And Procedures: It Requires The Use Of Judgment. Management And Boards Of Directors Use Judgment To Determine How Much Control Is Enough."

- Coso Internal Control Integrated Framework
- A Cost-benefit Analysis Should Be Conducted To Make Sure That The Benefits Of Planned Controls Exceed The Cost Of Implementing Them In The System.
- Controls Are Considered Cost-effective When Their Anticipated Benefits Exceed Their Anticipated Costs.



Types of Internal Controls

Preventative

Prevent A Potential Problem From Occurring When An Activity Is Performed

Examples:

- Network Firewall
- Segregation Of Duties
- Dual Authorization
- Employee Background Checks

Detective

Discover The Occurrence Of Adverse Events

Examples:

- Tip Hotline
- Internal Audits
- Cash Account Reconciliations
- Transaction Logs

Corrective

Remedy Problems Discovered Through Detective Controls Examples:

- Automated System Patching
- Disciplinary Action Policies



Our Way Is Forward

TOP 3 WAYS FRAUD IS DETECTED in government organizations:





18% INTERNAL AUDIT



11% MANAGEMENT REVIEW

Association of Certified Fraud Examiners Occupational Fraud 2024: A Report To The Nations®

If Treasury Or The Secretary Of State Determined That Fraud Had Occurred, They Would Work With Human Resources And The Oregon Department Of Justice To Determine Appropriate Disciplinary Actions To Take Up To And Including Dismissal And Prosecution.





Internal Audit Reports

The Following Internal Audits Were Performed In 2024:

- Information Technology (IT) Vulnerability Audit
- IT Incident Operations Audit
- BCP/DR/COOP Audit
- Banking Wire Transfer Audit
- Unclaimed Property Holder Program Audit
- Investment Fixed Income Audit

- Unclaimed Property Audit
- Public Equity Audit
- Debt Management Audit
- IT Incident Management (InfoSec) Audit





Report No 2021-12: Cybersecurity Controls Audit

- Scope Of The Audit: This Audit Assessed Security Controls And The IT Security Management At Treasury.
- Findings: No Significant Findings Or Material Weaknesses Were Noted On Treasury Operations.
 - The Secretary of State Report Noted That Treasury Has A Robust Security Management Program That Establishes A Framework For Assessing Risk, Developing, And Implementing Effective Security Procedures, And Monitoring The Effectiveness Of Those Procedures, And That The Agency's Focus, Investment, And Progress Towards Maintaining A Secure It Environment Is Commendable And Noteworthy.



External Financial Statement Audit Reports

The Following Audits Found "No Significant Deficiencies Or Material Weaknesses Were Noted On Treasury Operations. There Were No Other Findings In The Audit Report.":

- Oregon Local Government Intermediate Fund For The Years Ended June 30, 2021, 2022, 2023, And 2024
- Oregon Short Term Fund An Investment Pool Of The State Of Oregon For The Years Ended June 30, 2021, 2022, 2023, 2024
- Oregon Intermediate Term Pool An Investment Pool Of The State Of Oregon For The Years Ended
 June 30, 2021, 2022, 2023, 2024
- Common School Fund Annual Financial Report For The Fiscal Years Ended June 30, 2022, 2024

The Common School Fund Annual Financial Report For The Fiscal Years Ended June 30, 2023, Identified One Control Weakness That Was Resolved In FY 2024.







Risk: Wire Transfers For Investment Purchases Could Be Intentionally Or Unintentionally Sent To The Wrong Account

- Investment Operations Establishes Names And Signatures For Each New Fund With The Fund Manager
- Investment Accounting And Custodian Are Included On All Capital Call Requests
- Capital Calls Can Only Be Initiated By The Custodian
- Investment Accounting Compares Wire Information And Signatures
- Release Must Be Approved By A Manager
- The First Capital Call For A Fund Must Be Approved By A Sr Investment Officer Or Director





Risk: Unclaimed Property is not returned to the rightful owner due to fraud or error

- Claims System Access Is Limited To Those With Business Purpose
- Claims Are Never Initiated By Treasury Staff
- Claim Documentation Is Reviewed For Adequacy And Potential Issues. Information Is Compared To Data From Credit Bureaus And Other Public Sources
- Claims Require A Minimum Of Two Approvals
- Email Is Sent To Claimant Letting Them Know A Claim Was Submitted As Well As When It Is Approved So They Know To Expect The Check



Employee Fraud

Risk: Employees may intentionally or unintentionally misappropriate assets or manipulate financial information.

- Background Checks Of All Hires
- Annual Compliance Training
- Code Of Conduct Policy
- Quarterly Financial Disclosures Review by Compliance
- Role Based Access Controls on Key Systems



Public Funds Collateral

Risk: Treasury Staff Could Improperly Release Collateral Safeguarding Public Funds

- System Prevents Release If Remaining Collateral Would Be Below Minimum Collateral Requirement
- Release Must Be Approved By Two Authorized Individuals (One Must Be A Manager)
- Audit Log Of Releases



Local Government Assets

Risk: Local Government Staff (Or Imposters) Could Intentionally Misdirect The Withdrawal Of Assets Invested in the Oregon Short Term Fund

- Local Government Staff Must Be Registered/Permissioned By Authorized Individual
- External Bank Accounts Must Be Pre-registered/Approved By Two Authorized Individuals
- External Bank Accounts Must Be Owned By Local Government (Limited Exceptions For Debt Service Payments And Payments To State Agencies)
- E-mail Notifications For User/Bank Account Changes And Transactions
- Daily/Monthly Statements For Transactions



Cybersecurity Threats

Risk: Treasury Is A High Value Target For Criminals And Constantly Under Attack

- Focused Investments In Cybersecurity
- Aligned to NIST 2.0 framework
- Network Firewalls
- Multi-factor Authentication
- Security Awareness & Training Program
- Automated Patching of Systems
- Migrating To Zero Trust Architecture



OREGON STATE TREASURER ELIZABETH STEINER

