

Office of Audit Services Quarterly Report

SUMMARY

The Office of Audit Services (OAS) provides a quarterly report to the president and the other Executive & Audit Committee members to assist with their governance and oversight responsibilities as outlined in the charter of the Oregon State University Executive and Audit Committee (EAC).

Since the May 2015 EAC meeting, the OAS issued two audit reports resulting from complaints made to the OAS. The OAS reports identify opportunities to strengthen Oregon State University's governance, risk management, and control structure. The OAS believes responsive action plans are outlined to address the recommendations made.

REPORTS ISSUED

| Report Risk Rating | Assurance Provided Based Upon Procedures Performed |
|---|---|
| Printing and Mailing Services Irregularities <i>High</i> | Evaluated cash shortages occurring at a printing and mailing service location. The extent or source of the cash shortages was undetermined because of control structure weaknesses. The OAS identified several opportunities to reduce the risk of future losses and improve the effectiveness of the operation. |
| Multidisciplinary Research Resolution Process <i>Medium</i> | Evaluated concerns related to the allowability of payroll charges made to a multidisciplinary federal grant involving faculty from several colleges. The concerns were unsubstantiated. The research office management is developing guidance, templates, and best practices for investigators as well as a dispute resolution process to support multi-investigator projects and programs. |

2015 AUDIT PLANNED ENGAGEMENTS IN PROGRESS

| Status | Engagement Title | Audit Objectives |
|--------------------------------|---|--|
| Summary-Draft Report Issued | Criminal History Checks | Reviewed the internal controls and review process over criminal history checks, ensuring compliance with regulatory requirements as well as OSU policy. Tested the control structure for effectiveness and best practices. |
| | Payroll System Adjustments and Effort Reporting | Reviewed the controls in place to ensure payroll adjustments and effort reporting on sponsored projects is properly approved, supported, and timely, with appropriate practices in place to identify and address issues of non-compliance. |

TAB C

| Status | Engagement Title | Audit Objectives |
|-----------|--|--|
| | Athletics Ticketing System | Reviewed the general and application controls over the ticketing system to ensure data is accurate and complete and provides needed reporting tools. |
| Fieldwork | Construction Auditing (contracted audit) | Evaluation of the control structure and detailed testing of the costs against contract terms and conditions for four capital projects. |
| Planning | Athletics Compliance (contracted audit) | Annual evaluation of the Athletics compliance program's control structure. Routine reviews are a best practice per NCAA guidance. |
| | Environmental Health and Safety Program | Evaluate the establishment and effectiveness of training, lab inspection, and chemical inventory and disposal procedures. |
| | Payment Processes | Evaluate the control structure over payment processes including p-card, vendor set-up, and invoicing. |
| | PCI Compliance | Evaluate the university compliance with the Payment Card Industry Data Security Standard (PCI DSS). PCI is a set of mandatory requirements designed to ensure security of credit card information. |
| | Athletics Grade Control Verification | Test the control procedures put in place in the summer of 2015 to determine their effectiveness in detecting and deterring academic grade fraud for student-athletes |

In addition to the activities listed, the OAS is currently overseeing hotline complaint investigations, performing management advisory engagements, providing leadership in professional organizations, and coordinating external audit engagements as outlined in the 2015 audit plan.

CHANGES TO THE 2015 ANNUAL PLAN

The OAS added an audit of the Environmental Health and Safety Office (EHS) to the 2015 plan, which resulted in the following adjustments:

- Removed the College of Veterinary Medicine and INTO/international programs change of leadership reviews. Consulted with both deans on risk areas and discussed available university resources.

- Postponed the Department of Public Safety Clery compliance, Student Health Center billing, and Banner master data change management audits. These projects will be evaluated in late 2015 and may carry forward to the 2016 plan.

COMPLAINT/HOTLINE SUMMARY

January 1, 2015 to September 25, 2015

Given our responsibility to our students, staff and faculty, donors, government funding agencies, and the general community, OSU sets a strong control environment to deter and detect unethical, non-compliant, and criminal activities. As a microcosm of the larger society, OSU will encounter similar ethical and criminal issues. The OSU complaint process, which includes an anonymous reporting hotline, is the means for reporting such issues. The E&A Committee's review of hotline activity and ensuring the successful resolution of reported matters demonstrate our commitment to a strong control environment.

As a result of more campus outreach and training, OSU has experienced an increase in the number of complaints. The establishment of the Board of Trustees, a campus-centric internal audit function, and a university compliance function has enabled OSU to respond to complaints in a more proactive, timely, and thorough manner, thus reducing the risk exposure to the OSU community.

| Source of Complaint | 2015 | 2014 | 2013 |
|-------------------------------|-----------|-----------|-----------|
| Campus direct to OAS | 15 | 5 | 12 |
| Non-OSU party direct to OAS | 1 | 2 | 1 |
| 3 rd Party Hotline | 10 | 12 | 3 |
| Grand Total | 26 | 19 | 16 |

Reports related to the OAS-investigated complaints are reviewed and included in each quarterly OAS progress report, with interim reporting to the committee for any material items.

2014 Summary of Fraud Case Dispositions

| Case | Disposition |
|---------------------------------|--|
| Payroll time card falsification | Process improvements in timekeeping system |
| Duplicate travel expenses | Criminal referral and process improvements |
| Theft of university equipment | Criminal conviction with full restitution and process improvements |

RECOMMENDATION

Staff recommends that the Executive & Audit Committee accept the October 2015 Quarterly OAS Progress Report.