

Office of Audit Services 2017 Calendar Year Final Progress Report & 2018 Annual Audit Plan

BACKGROUND

As outlined in the charter of the Board of Trustees Executive & Audit Committee, the Office of Audit Services (OAS) is an independent, objective assurance and consulting service designed to add value and improve the organization's operations. The mission of the OAS is to help foster the success of OSU faculty, staff, and students by promoting integrity, sound governance practices, and effective risk management and controls.

In order to meet this responsibility, the OAS develops annually an audit plan to provide comprehensive audit coverage and deploy audit resources in an effective and efficient manner. The charter directs that the committee review and approve the OAS plans and progress in accordance with nationally recognized auditing standards. In accordance with the charter, the OAS presents the 2017 calendar year final progress report and the 2018 annual audit plan.

2017 CALENDAR YEAR FINAL PROGRESS REPORT

1. 2017 Calendar Year Activities

Service Area	Activity
Assurance	<ul style="list-style-type: none"> ➤ Completed the annual university risk assessment with input from key OSU stakeholders, and developed the 2018 calendar year audit plan. ➤ Conducted audits and made recommendations aimed at ensuring compliance with regulatory requirements and OSU policy, providing for a safe campus, and reducing the risk of financial losses and reputational harm.
Consulting	<ul style="list-style-type: none"> ➤ Worked with university leaders on the continual development of the OSU university risk management (URM) program based on national best practices. ➤ Served in an advisory capacity to university leadership related to research initiatives, policy formulation, and risk management. ➤ Coordinated an organizational review of business operations. ➤ Held several educational training sessions for OSU groups on the topics of ethics, fraud prevention, streamlining internal controls, and the university compliance and ethics program.
Investigative	<ul style="list-style-type: none"> ➤ Administered the accountability and integrity hotline. Responded to complaints and hotline reports in a timely and consistent manner.
Follow-up	<ul style="list-style-type: none"> ➤ Followed up on all open audit recommendations issued as of 6/30/17.

Service Area	Activity
External Audit Coordination	<ul style="list-style-type: none"> ➤ Organized and served as a liaison to the federal compliance and financial statement audits. ➤ Coordinated the 6/30/2017 NCAA agreed-upon fiscal procedures, athletics compliance, and construction audits. ➤ Served as a liaison for state and federal audits.
Other	<ul style="list-style-type: none"> ➤ Actively participated in the development of accounting students through internships and teaching. ➤ Refined office policies, procedures, and databases in accordance with best practices recommended in the 2016 peer review. ➤ OAS staff spoke and served in leadership roles in local and national audit and higher education organizations including the State of Oregon Chief Audit Executive Council, the Institute of Internal Auditors (IIA), the National Association of College and University Business Officers (NACUBO), and the Association of College and University Auditors (ACUA).

2. 2017 Performance Metrics

The OAS annual performance metrics relate to value of service and staff qualifications. Targets take into consideration industry benchmarks from the IIA and ACUA, as well as staff experience.

Measurement	Target	2017 Results
Value of Service	Percentage of audit client survey responses received that indicated the audit provided value to the university. Target 90%	100% (received surveys for 6 of 8 scheduled audits)
	Percentage of audit recommendations implemented within timeline in 2017. Target 85%	76% (19 of 25)*
Staff Qualifications	Average continuing professional education confirmation. Target 60 hours	67 hours
	Percentage of staff with advanced degrees or professional certification. Target 100%	100% (4 of 4)
Productivity	Professional staff turnover. Target 0-20%	20% (1 staff turnover)
	Percentage of time spent on direct project hours. Indirect hours include vacation and sick leave, administrative duties, and professional development. Target 78%	71% **

Targets not met:

* Recommendations related to research policy, environmental health and safety, and capital asset training were not completed within established timelines.

** Percentage of direct hours not met because of vacation spend down and administrative tasks associated with staff turnover.

The OAS has also performed a year-end internal assessment of quality control. Based upon the internal assessment, the OAS complies with the IIA's *International Professional Practices Framework*.

Fourth Quarter Reports Issued and In Progress

Management responses to the recommendations outlined in the reports support their commitment to improving controls. The OAS will verify implementation in 2018.

Engagement Priority or Status	Audit Objective
NCAA Financial Statement Agreed-Upon Procedures <i>Issued—Low Priority</i>	Performed the NCAA Agreed-Upon Procedures for the OSU Athletics financial reports. The format is prescribed by the NCAA.
Office of Global Opportunities <i>Issued—Medium Priority</i>	Determined whether opportunities exist to improve practices relative to the OSU GO fiscal activities and foreign accounts. Recommendations were made to enhance budget development, to find alternatives for foreign bank accounts, and to formally document roles and responsibilities.
Intercollegiate Athletics Equipment Theft <i>Issued—Medium Priority</i>	Determined if the inventory process for athletic apparel and equipment is accurate and reliable, and that there are sufficient internal controls to safeguard university assets. Recommendations were made to enhance inventory procedures as well as security.
Network Security <i>Fieldwork</i>	Identify key network security controls and determine whether opportunities exist to enhance security practices.
Scholarships <i>Fieldwork</i>	Evaluate efficiency and effectiveness of operational, compliance, and financial controls related to scholarships administration.

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

3. 2017 Complaint Summary

Complaint Source	2014	2015	2016	2017
Hotline	7	18	16	21
Direct to the OAS	12	20	15	14
Total	19	38	31	35

2018 ANNUAL AUDIT PLAN

Factors considered in setting the 2018 audit priorities include the president's goals, the strategic plan, university risk management (URM) efforts, the last time audited, relative importance of operations, changes in systems or management, industry trends and events, recent incidents, external audit focus, and management input. Our assessment utilized the *Internal Control-Integrated Framework Principles* as published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A major portion of OAS resources is allocated to performing assurance and consulting activities. The OAS views OSU as nine major functional areas in order to ensure the audit plan provides comprehensive coverage across the university. OSU has approximately 87 auditable units contained within the nine major functional areas:

1. governance and leadership
2. instruction and academic support
3. research and development
4. student services
5. human resources management
6. fiscal and asset management
7. campus operations
8. auxiliary operations and athletics
9. information technology

The following activities are scheduled to be conducted in 2018:

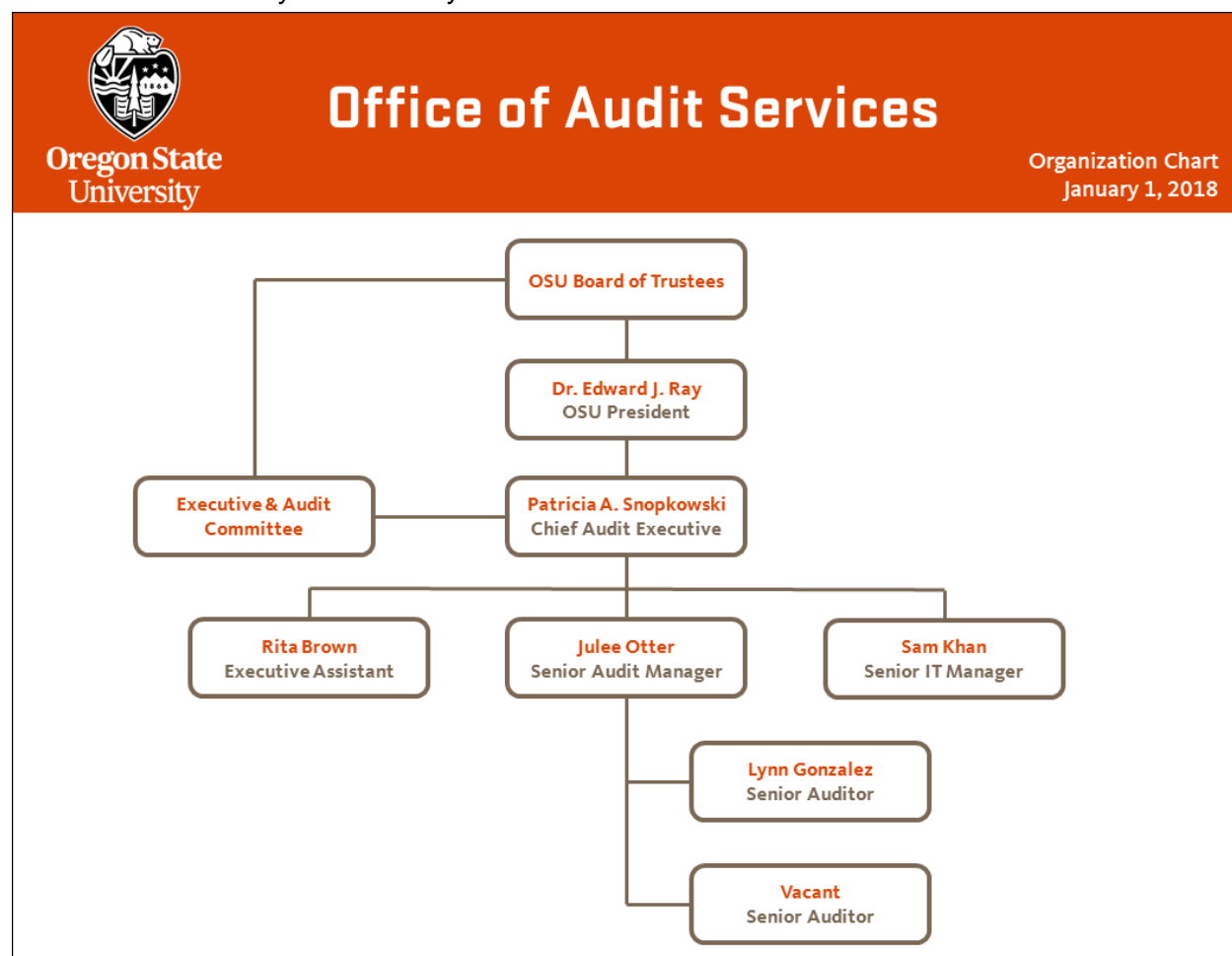
Service Area	Activity
Assurance	<ul style="list-style-type: none"> ➤ Information technology audits: <ul style="list-style-type: none"> • Network security • Decentralized information systems: Environmental Health and Safety, Facilities Services, Student Health and Pharmacy • Core reporting: data integrity and efficiency (time permitting) ➤ Fiscal, operational, and compliance audits: <ul style="list-style-type: none"> • Standardized departmental internal control audits (multiple year coverage) • Financial aid – scholarships • Research Office: grant award and accounting processes • Athletics: fiscal and compliance • Purchasing and contracting (time permitting)
Consulting	<ul style="list-style-type: none"> ➤ Serve on various committees in an advisory capacity. ➤ Conduct trainings on internal controls and fraud prevention and awareness. ➤ Assist with the facilitation and administration of the URM plan.
Investigative	<ul style="list-style-type: none"> ➤ Administer the university accountability and integrity hotline. ➤ Serve as a liaison and resource for external investigations.
Follow up	<ul style="list-style-type: none"> ➤ Follow up on all open audit recommendations (March and October reporting).

Service Area	Activity
External Audit Coordination	<ul style="list-style-type: none"> ➤ Manage and serve as the liaison for all external audit services including contracted and regulatory-imposed audits. ➤ Implement recommendations and best practices noted in the quality assurance review.

Resources and Charter

The OAS plan and responsibilities are in accordance with the existing OAS charter approved by the Executive & Audit Committee in January 2017. There are no changes to The IIA *International Professional Practices Framework* and, as a result, the duties and responsibilities located at <https://leadership.oregonstate.edu/audit/office-charter-services> will be applied in 2018.

The OAS organizational structure provides independence in accordance with the IIA *International Professional Practices Framework*. Five professional audit staff will serve OSU in 2018. Staffing resources are benchmarked against comparable western land-grant institutions to ensure consistency with industry standards.



RECOMMENDATION

Staff recommend that the Executive & Audit Committee approve the Office of Audit Services 2017 calendar year final progress report and 2018 annual audit plan.