

## Office of Audit, Risk and Compliance Progress Report

### SUMMARY

The Oregon State University (OSU) Office of Audit, Risk and Compliance (OARC) provides a progress report to the president and the other Executive & Audit Committee (EAC) members to assist with their governance and oversight responsibilities as outlined in the EAC's charter.

The OARC performs independent internal audits, plans and oversees the university enterprise risk management process, and coordinates the institutional compliance program. The OARC's mission is to enhance and protect organizational value by providing risk-based and objective assurance and advice.

This report provides a highlight and status report for the audit, enterprise risk management and compliance functions within the OARC and includes activities that have occurred since the last EAC meeting. The primary purpose of this progress report is to provide updates on internal audit activities. However, brief updates on compliance and enterprise risk are also included. In-depth information and updates on compliance and enterprise risk are provided annually as stand-alone reports.

### INTERNAL AUDIT ACTIVITIES

The following table outlines the audit reports issued and the status of engagements in process. The OARC believes management actions planned or taken are responsive and demonstrate a commitment to continually improving operations.

#### Audit Reports Issued and Engagements in Process

Engagement Status and Risk Rating	Audit Objective
Criminal History Check Audit  <i>Issued – High Priority</i>	The OARC evaluated the criminal history check (CHC) process. Our review found processes are in place to provide CHCs for employees and volunteers with critical or security-sensitive duties. Recommendations were made to improve monitoring processes, tracking of CHC compliance and volunteer management.
Information Technology General Controls – Access Controls Audit  <i>Issued – High Priority</i>	The OARC completed a review of University Information and Technology controls around authentication, authorization and physical access for select university IT resources. Our review recognized the implementation of protective technologies that support the IT strategic plan. We identified opportunities for continued improvement of access management.
NCAA Compliance Review – Student Athlete Eligibility  <i>Issued – Medium Priority</i>	In conjunction with the technical support of an outside consultant, the OARC conducted a review of student-athlete academic support and eligibility compliance. The review concluded that OSU did not have any recent eligibility compliance violations. We identified opportunities to improve processes and collaboration among the offices responsible for

*October 27 - 28, 2022 Board of Trustees Meetings*

Engagement Status and Risk Rating	Audit Objective
	student-athlete eligibility by clearly delineating roles and responsibilities, documenting procedures and supporting ongoing staff professional development.
<p>Capital Construction Audit – Cordley Hall West Closeout Review</p> <p><i>Issued – Low Priority</i></p>	<p>The OARC contracted with a construction auditing firm to perform an audit on the Cordley Hall West capital construction project, scheduled for three stages of the project – beginning, midpoint and project closeout. The beginning and midpoint stage reviews have been completed. The project closeout stage of the review identified minor cost exceptions, which are to be credited back to the project once the final payment application has been submitted by the contractor. Follow-up on the open recommendations from the beginning stage review was also completed and is shown in the recommendation status section below.</p>
<p>Capital Construction Audit – Arts &amp; Education Complex: Project Control Review and Interim Monitoring of Costs</p> <p><i>Summarizing Results</i></p>	<p>The OARC has contracted with a construction auditing firm to perform audit and advisory services for the Arts &amp; Education Complex capital construction project. The objective of the audit is to ensure that project costs are in alignment with contract terms and conditions as well as an overall control review. The audit will be completed in phases: overall project control review, interim monitoring of costs and closeout.</p>
<p>Environmental Health and Safety (EH&amp;S)</p> <p><i>Fieldwork</i></p>	<p>The OARC is performing an internal control review to assess the functions of EH&amp;S and determine whether safety programs and monitoring processes are in compliance with state and federal regulations as well as OSU policies and procedures.</p>
<p>Information Technology General Controls (ITGC) – Business Continuity and Disaster Recovery</p> <p><i>Fieldwork</i></p>	<p>The OARC is conducting a review of ITGC focused on business continuity and disaster recovery of critical cloud-based enterprise systems and software applications. The objective of this audit is to assess the ability to execute backup plans and operate critical priority operations during an unplanned event and recover to business as usual.</p>
<p>OSU Public Safety Operations and Emergency Operations Assessment</p> <p><i>Planning</i></p>	<p>The OARC is seeking an external consultant to provide an audit assessment of the Public Safety Operations and emergency operations. A request for proposal is currently under review.</p>
<p>Internal Bank Agreed Upon Procedures Review</p> <p><i>Planning</i></p>	<p>The OARC is seeking an external audit firm to perform agreed-upon procedures relative to the Internal Bank reporting to the OSU Board of Trustees (Board). A request for proposal is currently under review.</p>
<p>NCAA Compliance Review</p> <p><i>Planning</i></p>	<p>The OARC is contracting with an external consultant to provide ongoing reviews over key areas of athletics' compliance. A request for proposal is currently under review.</p>

Engagement Status and Risk Rating	Audit Objective
<p>Internal control assessment tool and data analytics projects</p> <p style="text-align: center;"><i>Fieldwork</i></p>	<p>The OARC is piloting its updated internal control assessment tool (ICAT) with the College of Education and Student Health Services. This tool is designed to serve as a self-assessment and educational resource for units, while also providing the OARC with broader coverage of units and departments across the university that are not on our annual audit plan.</p> <p>The OARC continued work on its internal data analytics project to support continuous monitoring of high-risk areas and transactions. The OARC has tested multiple analytics and is establishing a schedule of tests and analytics to run on a recurring basis throughout the year.</p>

All engagements listed on the 2022 audit plan will start by December 2022. Staff will begin audit planning for the purchasing and human resource operational engagements in the last quarter of the year. The OARC is also finalizing an assessment of routine internal audit coverage for the next three years, 2023 to 2025. OARC recommends coverage over high-risk areas over a three-year plan in line with comparative industry analysis. A full plan will be presented to the EAC members during annual planning meetings with approval in January.

In addition to the activities listed, staff continues to manage and coordinate the OSU hotline response and external audit coordination.

**Status of Audit Recommendations Due Per Action Plans**

A review was completed of open audit recommendations with action plans due as of June 30, 2022.

Report <i>Risk Rating</i> Date Issued Original Follow-up Date	Total from Audit Report	Previously Implemented	Implemented During Period	Still in Progress- Past Due
Vendor Change Management <i>High Priority</i> Issued: September 30, 2020 Original follow-up date: December 31, 2020	6	5	1	0
Capital Construction Audit – Cordley Hall West Beginning Stage Review <i>High Priority</i> Issued: May 3, 2021 Original follow-up date: December 31, 2021	5	4	1	0

<b>Report Risk Rating Date Issued Original Follow-up Date</b>	<b>Total from Audit Report</b>	<b>Previously Implemented</b>	<b>Implemented During Period</b>	<b>Still in Progress- Past Due</b>
4-H Program Control Review <i>Medium Priority</i> Issued: January 6, 2020 Original follow-up date: June 30, 2020	4	3	1	0
Decentralized Revenue Operations Audit <i>Medium Priority</i> Issued: February 26, 2020 Original follow-up date: March 31, 2021	2	1	0	1
Oregon Space Grant Consortium <i>Medium Priority</i> Issued: September 7, 2021 Original follow-up date: June 30, 2022	3	0	1	2
Scholarship Process <i>Medium Priority</i> Issued: August 7, 2018 Original follow-up date: June 30, 2019	5	4	1	0
<b>Grand Total</b>	<b>25</b>	<b>17</b>	<b>5</b>	<b>3</b>

### **ENTERPRISE RISK MANAGEMENT (ERM) ACTIVITIES**

The OARC continues to facilitate the university ERM program with senior leaders and the Board. The approved 2022 ERM topics are receiving ongoing support by leadership and the Board. The OARC continues to routinely reach out to campus partners to support the prioritization of emerging risks and opportunities.

### **COMPLIANCE ACTIVITIES**

Progress is being made on the compliance partner and project activities. Consultation, guidance and thought partnership for compliance partners continue. The annual report will be presented under a separate cover at the October Executive & Audit Committee meeting.

Leadership for quarterly Compliance Executive Committee meetings; ethics consultations, training and outreach; policy consultation; and participation in compliance and risk committees also continue as planned.

### **STAFF RECOMMENDATION**

Staff recommends that the Executive & Audit Committee approve the October 2022 OARC progress report.