

## 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 and Governance Committee (EAGC) members to assist with their governance and oversight responsibilities as outlined in the EAGC'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 (ERM) and compliance functions within the OARC. This includes activities that have occurred since the last EAGC 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.

### 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 <i>Status and Risk Rating</i>	Audit Objective
University Human Resources – Recruitment Audit  <i>Issued - Medium</i>	The OARC completed an audit of OSU's recruitment processes for consistent, compliant and efficient practices. The audit found recruitments generally conformed to policy and requirements. Recommended opportunities for improvements include: address deviations from policy relative to background checks and record retention, and create process and documentation efficiencies through automation and training in the recruitment and selection process. These improvements will help support compliant and efficient recruitment efforts.
College of Agricultural Sciences – Oregon Seed Certification Service Revenue (OSCS) Review  <i>Issued - Medium</i>	The OARC completed a review confirming the accuracy and completeness of OSCS revenue and accounts receivable activities. Overall, the review found the fiscal activity reported by the OSCS was materially complete and accurate. Opportunities for improvement were recommended around processes for excess fund balances, monthly reconciliations, and documentation to support revenue procedures and IT controls. These improvements will help to ensure the accuracy

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<b>Engagement Status and Risk Rating</b>	<b>Audit Objective</b>
	and completeness of financial information, as well as the business continuity of OSCS IT systems.
Facilities Services Key Shop Control Review  <i>Summarizing Results</i>	The OARC identified opportunities to improve the tracking of keys issued to employees and enhance building security practices. The OARC is working with management to document action plans to support data integrity and maintain accountability as key data is transitioned to a new system.
Research Accounting Process Review  <i>Summarizing Results</i>	The OARC contracted with an external consultant to provide an assessment and evaluation of OSU's research accounting practices. The objective of the audit is to ensure the university is effectively and efficiently maintaining compliance with federal research costing requirements while maximizing the recovery of costs in preparation for OSU's planned research enterprise expansion efforts. Fieldwork is ongoing with the final report and associated improvement opportunities expected in early June 2024.
Capital Construction Audit – Patricia Valian Reser Center for the Creative Arts (PRAX): Project Control Review and Interim Monitoring of Costs  <i>Fieldwork</i>	The OARC engaged an external audit firm to perform a construction audit of the Patricia Valian Reser Center for the Creative Arts (PRAX). The objective of the audit is to verify compliance with contract terms and conditions, and ensure that construction charges are adequately supported, verifiable and appropriately allocated to the project. Scheduled to be completed in three stages, no findings were identified in the second stage review. The minor variances in the labor rates charged to OSU identified in the beginning stage audit were corrected by the contractor and confirmed by the audit firm during the second stage review. The closeout review began in March 2024 and will include expenses incurred since the conclusion of the second stage review.
Departmental Internal Control Review – Division of Educational Ventures  <i>Fieldwork</i>	The OARC is conducting a departmental internal control review for the Division of Educational Ventures (Division), which includes Oregon State Online (Ecampus) and the Center for the Outdoor Recreational Economy. The objective of this review is to evaluate the internal control structure within the Division. The evaluation will provide leadership with assurances over fiscal management controls, governance and risk management practices.
Office of the Registrar  <i>Fieldwork</i>	The OARC is conducting a review within the Office of the Registrar. The objective of the review will focus on ensuring processes around grade changes are in accordance with policy and that the process to establish/set course modalities is compliant with external requirements and best practices.

Engagement Status and Risk Rating	Audit Objective
<p>Third-Party Information Security Risk Management</p> <p><i>Fieldwork</i></p>	<p>The OARC is conducting an audit regarding third-party information security practices. The objective of the review is to confirm control activities are in place for third-party IT vendors who store or process university data.</p>
<p>OSU Public Safety Operations and Emergency Operations Assessment</p> <p><i>Planning</i></p>	<p>The Department of Public Safety (DPS) is currently contracting with an external professional organization to perform a pre-accreditation review. The review will evaluate the sufficiency of operational plans and procedures being developed in preparation for accreditation. The OARC will support efforts by performing follow-up procedures on recommendations noted.</p>
<p>Capital Construction Audit – Jen-Hsun Huang and Lori Mills Huang Collaborative Innovation Complex</p> <p><i>Planning</i></p>	<p>The OARC is planning to engage an external audit firm to perform a construction audit of the Jen-Hsun Huang and Lori Mills Huang Collaborative Innovation Complex. The audit will be performed in stages, ensuring compliance with contract terms and conditions and that construction charges are adequately supported, verifiable and appropriately allocated to the project.</p>

The OARC is also performing ongoing management of the university hotline and fiscal complaint investigations, external audit coordination and data analytics.

**ENTERPRISE RISK MANAGEMENT ACTIVITIES**

The OARC continues to facilitate the university ERM program with senior leaders and the board. The approved 2024 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**

Leadership for quarterly Compliance Executive Committee meetings; ethics advising, training and outreach; consultation, guidance and thought partnership for compliance partners; and participation in compliance and risk committees continue as planned.

The annual compliance and ethics report will be presented under separate cover at the October EAGC meeting.

**STAFF RECOMMENDATION**

Staff recommends that the Executive, Audit and Governance Committee approve the May 2024 OARC progress report.