

## **Office of Audit, Risk and Compliance Progress Report**

### **EXECUTIVE SUMMARY**

The Oregon State University (OSU) Office of Audit, Risk and Compliance (OARC) provides a progress report to the president and 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 (ERM) process, coordinates the institutional compliance program, and administers the OSU Accountability & Integrity hotline. The OARC's mission is to enhance and protect organizational value by providing risk-based and objective assurance and advice.

This progress report highlights the status of current audit activity. Audit reports issued, including follow-ups, during the period highlight improvements to fiscal practices, human resource compliance, information technology (IT) controls, research infrastructure support, capital construction accountability, and data accuracy and integrity across our university.

The approved 2025 OARC compliance plan is on target for completion. However, due to the retirement of the chief executive of audit, risk and compliance, some projects and reports planned within both audit and enterprise risk may not be fully completed by year-end. The final status of the 2025 OARC plans will be included in the OARC annual report in January 2026.

The annual compliance and ethics program report and ERM progress report on campus safety will be included in separate reports at the October 2025 board committee meetings.

## 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

<b>Engagement Status and Rating</b>	<b>Audit Objective</b>
<p>Concur Travel and Expense Audit</p> <p><i>Issued - High</i></p>	<p>The OARC completed an audit of OSU's travel and expense system, Concur. The audit found that controls did not effectively detect unallowable expenses, ensure timely repayment, or enforce compliance with training requirements. Recommendations included improving expense monitoring program, strengthening escalation procedures for credit card compliance, mitigating conflicts of interest, and expanding unit-level expense monitoring tools. These recommendations safeguard university resources, improve financial accountability, and support OSU's commitment to operational excellence and responsible stewardship.</p>
<p>Employment Eligibility Practices</p> <p><i>Issued - High</i></p>	<p>The OARC completed an audit of employee eligibility compliance processes. Recommendations included improving compliance monitoring and record retention. Strengthening these practices supports the university's commitment to compliance, risk mitigation and operational integrity.</p>
<p>Cybersecurity Maturity Model Certification (CMMC) Governance Readiness Audit</p> <p><i>Issued - High</i></p>	<p>The OARC completed an audit of OSU's CMMC governance readiness and found that operational gaps may limit the university's ability to sustain and consistently meet CMMC requirements. Recommendations include establishing a formal CUI policy, updating secure environment inventories, formalizing technology control oversight, and structuring security assessment procedures. Implementing these improvements will protect sensitive research data, support federal contract eligibility, and strengthen OSU's reputation for research excellence.</p>
<p>Unallowable Expenditures Complaint</p> <p><i>Issued - Medium</i></p>	<p>An investigation of a complaint alleging unallowable expenditures was completed. Unit leadership is working with the Office of University Human Resources on appropriate disciplinary action and with the Division of Research and Innovation on the repayment or reallocation of expenses identified as unallowable on grant funds.</p>

<p>Capital Construction Audit – Jen-Hsun Huang and Lori Mills Huang Collaborative Innovation Complex</p> <p><i>Fieldwork</i></p>	<p>The OARC engaged an external audit firm to conduct a construction audit of the Jen-Hsun Huang and Lori Mills Huang Collaborative Innovation Complex. The audit, which is being performed in stages, will ensure compliance with contract terms and conditions. Additionally, it will verify that construction charges are adequately supported, documented and appropriately allocated to the project.</p>
<p>Carlson College of Veterinary Medicine – Lois Bates Acheson Veterinary Teaching Hospital Internal Control Review</p> <p><i>Planning</i></p>	<p>The OARC is planning an internal control review of the Lois Bates Acheson Veterinary Teaching Hospital (VTH) within the Carlson College of Veterinary Medicine. The objective of the review is to evaluate the VTH’s internal control structure and provide leadership with assurances over fiscal management controls, governance and risk management practices.</p>
<p>WorkDay Payroll Module Control Design Audit</p> <p><i>Planning</i></p>	<p>The OARC is planning an audit of the Workday Payroll module implementation control design. Workday is part of the Administrative Modernization Program (AMP). The objective of the audit is to ensure payroll controls are properly designed and integrated with information technology (IT) general controls and business processes. This audit will assess the accuracy, completeness and compliance of the system prior to it going live.</p>

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

OARC completed a review of the status of audit recommendation action plans. We noted the following:

The one information technology audit recommendation from the Institutional Research audit remains open. Given its priority, the OARC will complete a fourth follow-up on the planned action in January 2026.

- ✓ Four of the five audits with action plans due were successfully completed. These actions strengthened access controls for privileged system accounts and other critical university systems, reinforced physical security protocols at key university facilities, promoted capital construction practices that uphold contract compliance and accountability, and supported the accuracy and integrity of academic records.

We believe management actions are in place to address all the open audit recommendations.

<b>Report/ Priority Date Issued Original or Later Follow-up</b>	<b>Total from Audit Report</b>	<b>Previously Implemented</b>	<b>Implemented During Period</b>	<b>Still in Progress -Past Due</b>
Information Technology General Controls (ITGC) – Access Control Audit <i>High Priority</i> Issued: October 5, 2022 Third follow-up	4	3	1	0
Institutional Research Data <i>Medium Priority</i> Issued: May 2, 2023 Third follow-up	3	2	0	1
Distributed Computing Systems Audit – Carlson College of Veterinary Medicine <i>Medium Priority</i> Issued: September 12, 2023 Second follow-up	5	3	2	0
Patricia Valian Reser Center for the Creative Arts (PRAX) Construction Audit <i>Medium Priority</i> Issued: February 11, 2025 Original follow-up	4	0	4	0
Office of the Registrar Audit <i>Low Priority</i> Issued: October 22, 2024 Original follow-up	2	0	2	0
<b>Grand Total</b>	18	8	9	1

The OARC continues to perform ongoing management of the university hotline and fiscal complaint investigations, external audit coordination, control assessments and data analytics.

### **RECOMMENDATION**

Staff recommends the Executive, Audit and Governance Committee approve the Office of Audit, Risk and Compliance's October 2025 Progress Report.