

Office of Audit, Risk and Compliance 2025 Final Progress Report and 2026 Annual Plan

EXECUTIVE SUMMARY AND BACKGROUND

As outlined in the charter of the Executive, Audit and Governance Committee (EAGC), the mission of the Office of Audit, Risk and Compliance (OARC) is to enhance and protect organizational value by providing risk-based, objective assurance and advice to the university. To meet this responsibility, the OARC develops an annual plan to provide audit, compliance and enterprise risk services.

The EAGC charter requires that the Committee review and approve the OARC plan and progress report in accordance with recognized audit standards, guidelines and best practices. The university enterprise risk areas and compliance priorities are reviewed in separate reports to the EAGC. This report outlines the overall office efforts in achieving strategic goals and lists the 11 audits scheduled for 2026 for review and approval.

2025 Final Progress Report

Strategic Goals	Activities
<p>Goal 1: Support an ethical community and culture.</p>	<ul style="list-style-type: none"> ➤ Provided ethics consultations, onboarding for new senior leaders, and outreach to the university community on the prevention of misconduct and to encourage ethical practices. ➤ Responded to 92 hotline reports and other complaints, safeguarding the university from potential risks across multiple areas, including financial integrity, ethical conduct, workplace safety and harassment. Complaints referred to appropriate partner units for investigation within an average of two days. ➤ Supported OSU in raising \$128,312 from 141 employees for the 2024 Oregon Employees' Charitable Fund Drive, helping many charities in our local community.
<p>Goal 2: Foster use of risk identification and mitigation strategies.</p>	<ul style="list-style-type: none"> ➤ Successfully reviewed and assessed relevant enterprise risks in collaboration with the provost. Advised on emerging risks with relevant parties throughout the year. Presented the annual Enterprise Risk Management (ERM) report to the EAGC. All ERM risk items were tracked throughout the year. Networked with national higher education leaders in ERM best practices. ➤ Stayed informed of relevant audit, risk and compliance topics. Shared knowledge and skills with university partners to strengthen OSU operations. Represented OSU nationally at conferences and membership organization events, including those hosted by the Institute of Internal Auditors, Association of College and University Auditors, Pacific Northwest Higher Education Internal Auditors, Western Association of College and University Business Officers, National Association of College and University Attorneys, and the National Higher Education Enterprise Risk Practitioner Group.

January 15 - 16, 2026, Board of Trustees Meetings

Strategic Goals	Activities
<p>Goal 3: Promote efficient, effective, compliant and fiscally sound practices.</p>	<ul style="list-style-type: none"> ➤ Developed an internal audit plan that provides value-added assurances in high-risk areas. Audit activities included planned engagements, follow-up reviews and investigations. ➤ Provided assurances regarding fiscal and administrative activities, including engagements designed to promote compliance with employment eligibility practices and support responsible management of funds through improvements to expense monitoring tools and procedures. Additionally, assurance was given to support the university’s preparedness for pursuing new research funding opportunities that require enhanced IT security measures, as well as for the Administrative Modernization Program (AMP)/WorkDay implementation—both of which are critical elements in supporting Prosperity Widely Shared (PWS) objectives.
<p>Goal 4: Align operations with compliance best practices.</p>	<ul style="list-style-type: none"> ➤ Provided ongoing consulting, guidance and thought partnership for compliance partners’ work across the university. ➤ Provided strategic leadership, project management, facilitation and coordination with multiple partner offices on the university’s approach to new digital accessibility requirements. ➤ Guided quarterly Compliance Executive Committee (CEC) meetings and presented the state of the university compliance program to the OSU Board of Trustees’ Executive, Audit and Governance Committee (EAGC).

Performance Metric	Success Measurement
<p>Productivity</p>	<ul style="list-style-type: none"> ✓ Office outreach in all nine major functional units. ✓ 9 of 10 enterprise risk topics reviewed and supported during 2025. Topic discussion for AI planned for January 2026. ✓ 7 of 11 scheduled audits completed through fieldwork - the remaining four are included in the 2026 audit plan. ✓ 3 investigations completed, resulting in five reports.
<p>Value of Service</p>	<ul style="list-style-type: none"> ✓ All annual audit survey respondents value the audit, compliance, risk and hotline services. ✓ 89% of open audit recommendations are within expected timeline for completion, in alignment with industry best practices.

Performance Metric	Success Measurement
<p align="center">Staff Qualifications/ Office Aptitude</p>	<ul style="list-style-type: none"> ✓ Staff maintained continuing education requirements per license and best practices. ✓ Onboarded two staff auditors, an executive assistant and the chief executive of audit, risk, and compliance. ✓ Both new staff auditors are pursuing professional accounting or auditing certifications.

Summary of 4th Quarter 2025 Audits

Engagement Status and Risk Rating	Audit Objective
<p align="center">Carlson College of Veterinary Medicine – Lois Bates Acheson Veterinary Teaching Hospital Internal Control Review</p> <p align="center"><i>Issued - Medium</i></p>	<p>The OARC conducted an internal control review of the Lois Bates Acheson Veterinary Teaching Hospital (VTH) within the Carlson College of Veterinary Medicine to assess fiscal management, governance, and risk controls. While key controls were working, opportunities for improvement were identified and shared with leadership. VTH also recently adopted a new electronic medical records (EMR) system. Given the importance of the new system for the VTH operations, the OARC has included a post-implementation review on the 2026 annual audit plan to ensure the system and its university integrations operate properly and maintain accurate patient and financial data.</p>
<p align="center">Unallowable Personal Expenditures Complaint</p> <p align="center">Unit Internal Control Concerns</p> <p align="center"><i>Issued - Medium</i></p>	<p>As the result of our data analytics program, the OARC completed an investigation of potential personal expenses being charged to university funds. Unit leadership is working with the Office of University Human Resources on appropriate disciplinary action, repayment of the unallowable expenses and control enhancements within the program.</p>
<p align="center">Unpaid Royalties for OSU Licensed Intellectual Property</p> <p align="center"><i>Issued - Medium</i></p>	<p>As part of an investigation, the OARC identified royalty payments that were not received in accordance with the license agreement between OSU and an external firm. OSU Advantage, within the Division of Research and Innovation, is working to collect the amounts due to OSU and improve monitoring controls to help ensure periodic revenue reports and associated royalties are received timely.</p>

Engagement Status and Risk Rating	Audit Objective
NCAA Financial Statement Agreed-Upon Procedures <i>Issued - Low</i>	CliftonLarsonAllen, LLP, performed the NCAA Agreed-Upon Procedures review for the OSU Athletics financial reports. The NCAA prescribes the format, and the report complies with its policies and format. No exceptions were noted.
Conflict of Interest Complaint Investigation <i>Issued</i>	The OARC completed an investigation of alleged conflicts of interest involving an employee and the employee's personal companies. The allegations were found to be unsubstantiated.
Workday Payroll Module Control Design Audit <i>Summarizing Results</i>	The OARC is performing 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.
Capital Construction Audit – Jen-Hsun Huang and Lori Mills Huang Collaborative Innovation Complex <i>Fieldwork</i>	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 conducted 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.
Facilities Work Order Process <i>Planning</i>	The OARC is planning an audit of the work order process within Facilities Services, a unit within the Facilities Planning and Management unit of the Division of Finance and Administration. The objective of the audit will be to assess the work order process and system controls to ensure accurate, timely, effective and efficient processes.

2026 ANNUAL PLAN

In 2026, the OARC will complete assurance, compliance, hotline management and enterprise risk services aligned with the OARC charter. OARC services are designed to protect the values of OSU, reduce the cost of risk events, maximize opportunities and retain credibility with key funding stakeholders.

In setting the OARC's 2026 audit priorities, the following were considered: the University Strategic Plan - *Prosperity Widely Shared*, the president's goals, enterprise risk and compliance priorities (presented to the EAGC in January and October annually), the relative importance of operations, changes in systems or management, industry trends and events, new or changing

laws or regulations, hotline trends and recent incidents, external audit focus, last time audited and management input. Eleven engagements are slated for the 2026 audit plan, including four engagements carried forward from the 2025 plan. These audit activities are aligned with the 3-year priority map:

- Research Security - Foreign Gifts and Contracts
- Facilities operations – Work Order Process
- Administrative Modernization Program/Workday Control Design Review
- Information Technology Audits:
 - Electronic Medical Records System Post-Implementation Review
 - Endpoint Protection
 - Security Operations Center
- International Programs
- Athletics Compliance
- Department of Public Safety
- Construction Auditing - co-sourced
- Institute of Internal Auditors Quality Assurance Review

In addition, ongoing training, including staff training on the new Workday system, a data analytics program, departmental internal control reviews, follow-up audits on prior recommendations and self-assessment tools will provide assurance support across the university.

As required by auditing standards, the OARC comments on organizational structure, independence and resource levels. The chief executive of audit, risk and compliance believes the OARC reporting line provides independence in accordance with standards, guidelines and best practices. The office charter is also to be reviewed annually in accordance with standards. In March 2026, edits to the charter will be presented to the EAGC to align the charter with changes to the Institute of Internal Auditor's professional internal auditing standards.

RECOMMENDATION

Staff recommend the Executive, Audit and Governance Committee approve the Office of Audit, Risk and Compliance's 2025 Final Progress Report and 2026 Annual Plan.