



Internal Control at OSU

COSO & Enterprise Risk Management

Oregon State University

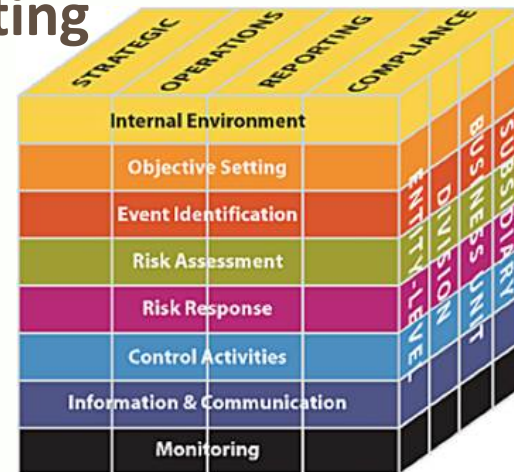
Board of Trustees Executive & Audit Committee

Educational Session

OSU Internal Control Model - COSO

The COSO framework defines internal control as a process, effected by an entity's board of directors, management and other personnel, designed to provide **reasonable assurance** regarding the achievement of **objectives** in the following categories:

- Effectiveness and efficiency of **operations**
- Reliability of **financial reporting**
- **Compliance** with applicable laws and regulations



Adopted Internal Control Model

COSO provides

- OSU managers,
- external stakeholders,
- board and executive leaders, and
- internal audit

a model to evaluate operations.

Responsibility for Internal Controls

Everyone is responsible for establishing and maintaining effective internal controls...

- Faculty & staff
- Departmental management
- Central business offices
- Executive management
- Board of Trustees
- State of Oregon

Components of Internal Control

According to the COSO framework, internal control consists of five interrelated components:

1. Control environment
2. Risk assessment
3. Control activities
4. Information and communication
5. Monitoring

Component 1: Control Environment

The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. Control environment factors include integrity, ethical values, management's operating style, delegation of authority systems, as well as the processes for managing and developing people in the organization.



Component 2: Risk Assessment

A precondition to risk assessment is the establishment of objectives. Risk assessment is the identification and analysis of relevant risks to the achievement of assigned objectives.

*Risk assessment is a prerequisite
for determining how risks
should be managed.*

Component 2: Risk Types

Enterprise Risks

- Operational
- Financial
- Compliance
- Strategic
- Reputational



Component 2: Enterprise Risks

Operational: Events that impact our ability to conduct business processes, serve students, and conduct research.

Financial: Events that lead to a loss of resources needed to run operations, serve students, or conduct research.

Component 2: Enterprise Risks

Compliance: Events that violate laws, rules and regulations, that restrict our ability to conduct business processes, serve students, or conduct research.

Strategic: Directing resources towards events that do not align with the university's strategic goals and objectives.

Component 2: Enterprise Risks

Reputational: Events that receive negative press (national, state, local) that lead to a loss of funding, enrollment, donations, and grants.



Component 3: Control Activities

Control activities are the policies and procedures that help ensure management directives are carried out and risks are mitigated to an acceptable level.

- ❖ Policies and procedures
- ❖ Approvals and documentation
- ❖ Segregation of duties and reconciliations
- ❖ Physical and logical access controls

Component 4: Information & Communication

Relevant information is identified, captured, and communicated in a form and timeframe that enable people to carry out their responsibilities. Examples include:

- ❖ Information systems, producing information that make it possible to run the university.
- ❖ Trainings, meetings, websites, newsletters, both internal and external to Oregon State

Component 5: Monitoring

Monitoring is a process that assesses the quality of the system's performance over time. Corrective actions taken ensure continuous improvement.

- ❖ Central monitoring of decentralized control activities
- ❖ Independent assurances - audits and accreditation

Internal Control Model: Next Steps

*Oregon State will continue to use and improve upon the principles of COSO to provide **reasonable assurance** regarding the achievement of **objectives** in the following categories:*

- *Effectiveness and efficiency of **operations***
- *Reliability of **financial reporting***
- ***Compliance** with applicable laws and regulations*

