

Office of Audit, Risk and Compliance Progress Report

SUMMARY

The 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 committee's charter.

The OARC performs independent internal audits, plans and oversees the university enterprise risk management process and oversees 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.

INTERNAL AUDIT ACTIVITIES

The following tables outline the audit reports issued, the results of follow-up reviews of open recommendations due as of June 30, 2020, and the 2020 plan progress for the internal audit function within the OARC.

The OARC believes management actions planned or taken for recommendations made are responsive and demonstrate a commitment to continually improving operations.

Audit Reports Issued

Engagement Status and Risk Rating	Audit Objective
NCAA Compliance (Contracted audit) <i>Issued - Medium Priority</i>	The annual audit of the OSU athletics compliance function serves to reduce the risks associated with non-compliance and demonstrate a commitment to institutional control. This year's audit commends the regular communications from the President and VP Athletics Director to coaches and staff on the importance of compliance. Recommendations were made to conduct a more robust risk assessment process, improve the allocation of staff time, and enhance monitoring activities to further mitigate recruitment and academic integrity/impropriety risks. Lastly, it is recommended that the internal audit function provide additional testing in the future to provide the VP Athletics Director with assurances over key processes. The OARC believes the actions are responsive and demonstrate a commitment to continually improving the athletics compliance function. A follow-up review will be conducted in the winter of 2020.

Engagement Status and Risk Rating	Audit Objective
Vendor Change Management Audit <i>Issued - High Priority</i>	This scheduled audit was to determine whether key controls for payments to vendors are in place to prevent unauthorized or fraudulent payments, given prior fraudulent ACH change attempts. Recommendations were made to improve the verification/authentication procedures, documenting roles and responsibilities, and periodically reviewing system access.

Status of Audit Recommendations Due Per Action Plans

Report Risk Rating Date Issued	Total from Audit Report	Previously Implemented	Implemented During Period	Past Due
4-H Program Control Review <i>High Priority</i> Issued May 13, 2019 Original due date December 31, 2019	3	1	0	2
Complimentary Tickets Process Audit <i>Medium Priority</i> Issued June 26, 2019 Original due date June 30, 2020	3	0	3	0
Extension Internal Control Review <i>Medium Priority</i> Issued January 6, 2020 Original due date June 30, 2020	4	0	2	2
Grand Total	10	1	5	4

2020 Audit Plan Progress – Engagements in Process

Engagement Title Stage	Audit Objectives
Capital Construction <i>Planning</i>	The OARC is contracting with a nationally recognized construction auditing firm to perform an audit on the Cordley Hall capital construction project. The audit will ensure that project costs are in alignment with contract terms and conditions.
Treasury Function Transition <i>Planning</i>	The OARC is contracting with a nationally recognized CPA firm with a specialty practice in treasury management practices. The audit objective is to evaluate the key controls of treasury transition as it relates to deposit, payments and payroll cycles. An

October 14-16, 2020 Board of Trustees Meetings

Engagement Title <i>Stage</i>	Audit Objectives
	emphasis will be placed on information technology controls.

The OARC internal audit function is providing services designed to help protect Oregon State in addressing the risks present in the COVID-19 environment. These services include but are not limited to:

- confirming internal controls over emergency funding sources (federal and donor),
- advising on federal grant and contract cost accounting changes,
- conducting analytical and transactional reviews of revenue collections and expense activities, and
- providing data analytic services.

Activities relative to managing the university hotline, coordinating external audits and preparing for an external quality control review in 2021 continue as planned.

ENTERPRISE RISK MANAGEMENT (ERM) ACTIVITIES

The ERM activities serve to foster a culture of informed and balanced risk decision-making to achieve objectives. The OARC continues to routinely reach out to university partners to support the prioritization of emerging risks and opportunities. At the November meeting, the Executive & Audit Committee will engage in a discussion of top enterprise risks present in today’s environment given the pandemic and other emerging issues.

In 2021, the OARC, in conjunction with the Office of Insurance and Risk Management Services, will conduct a baseline evaluation of the universities’ enterprise risk assessment maturity using an internationally recognized model established by the Risk and Insurance Management Society and the Institute of Internal Auditors. The evaluation will serve to identify a plan of action to mature the ERM program.

COMPLIANCE ACTIVITIES

The annual report of the university’s compliance and ethics program is scheduled for discussion at the October 14, 2020, Executive & Audit Committee meeting. In addition to the program summary, the report identifies changes to the 2020 compliance plan. Overall, compliance partners continue to manage their responsibilities in a primarily online environment. The Office of General Counsel continues to be a critical partner to the OARC and all units.

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

STAFF RECOMMENDATION

Staff recommends that the Executive & Audit Committee approve the October 2020 OARC progress report.