

## 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 EAC'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 as follows:

**Audit:** Provides independent, objective assurance and advisory activity designed to add value and improve university operations. Audit helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

**Risk Management:** Facilitates the enterprise risk management (ERM) program by creating and maintaining the framework to effectively identify, assess and manage enterprise risk. The role does not include supervision of the risk services department that administers the university insurance programs.

**Compliance:** Coordinates the institutional compliance program and the distributed processes that support compliance across the university. Compliance serves in a consultative role, meaning the position does not have specific programmatic or operational duties, but does have authority to escalate matters as needed.

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, 2019, and the 2019 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**

<p><b>Report Risk Rating</b></p>	<p><b>Assurance Provided Based Upon Procedures Performed</b></p>
<p>Complimentary Ticket Process Audit <i>Medium Priority</i></p>	<p>This scheduled audit reviewed the control structure over the complimentary athletic ticket process to ensure compliance with OSU policy. Recommendations were made to improve policies and monitoring practices over complimentary tickets provided to staff and retirees.</p>
<p>Cash Handling Complaint Summary <i>Medium Priority</i></p>	<p>The OARC received a complaint concerning unaccounted for funds and cash handling processes and procedures. The OARC determined no funds were missing but OSU procedures needed improvement. Recommendations were made to improve compliance with university policy, departmental procedure documentation and staff training.</p>
<p>Staff Fee Privilege Complaint Summary <i>Medium Priority</i></p>	<p>In response to a complaint, the OARC reviewed procedures around the staff fee privilege process. Recommendations were made to enhance the process for determining and communicating eligibility requirements to ensure compliance with OSU policy.</p>
<p>Departmental Fee Deposit Process <i>Low Priority</i></p>	<p>The OARC received a request from a department head to review the record keeping and deposit process for departmental fee collections. During the review, enhancements were made to the procedures to ensure funds are deposited in a timely manner, duties are segregated and deposited amounts are accounted for within fiscal records. The review also highlighted ways to improve university-wide processes.</p>
<p>Information Technology Risk Assessment <i>High Priority</i></p>	<p>In partnership with a contracted vendor, the OARC completed an information technology (IT) risk assessment to identify OSU's IT audit priorities. Input was received from multiple campus constituents, including central and departmental IT staff. The assessment will be used to support ongoing IT audit priorities in order to provide assurance to leadership.</p>
<p>National Science Foundation Office of Inspector General Incurred Cost Audit (External Audit) <i>High Priority</i></p>	<p>As part of a scheduled audit cycle of major research universities, the National Science Foundation Office of Inspector General (NSF OIG) performed an incurred cost audit of awards issued to OSU. Of the \$147.5 million in costs within the scope of review, the NSF OIG questioned \$369,532 (0.25%). OSU believes the majority of these questioned costs are allowable and allocable per federal cost accounting standards and will work with the NSF to resolve the questioned costs through the audit resolution process.</p> <p>OSU believes the isolated incidents of questioned compliance noted in the report do not rise to the level of a material weakness or significant deficiency in internal controls. While these incidents do not reflect a systemic concern, the university considers the exceptions highlighted as an opportunity to review and improve processes and procedures. OSU, as a steward of public funds, has</p>

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Report Risk Rating	Assurance Provided Based Upon Procedures Performed
	a responsibility to promptly address any control deficiency. In response to this review, OSU will enhance the university's existing policies, processes and educational practices.

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

Report Risk Rating Date Issued	Total from Audit Report	Previously Implemented	Implemented During Period	Past Due
Intercollegiate Athletics Equipment Theft <i>Medium Priority</i> Issued December 5, 2017 Original due date June 30, 2019	2	0	2	0
Scholarship Process <i>Medium Priority</i> Issued August 7, 2018 Original due date June 30, 2019	5	0	4	1
4-H Program Concerns <i>Medium Priority</i> Issued August 7, 2018 Original due date June 30, 2019	3	0	3	0
University Housing & Dining Services IT Systems <i>Medium Priority</i> Issued November 28, 2018 Original due date June 30, 2019	4	0	2	2
<b>Grand Total</b>	<b>14</b>	<b>0</b>	<b>11</b>	<b>3</b>

**2019 Audit Plan Progress – Engagements in Process**

Engagement Title Stage	Audit Objectives
Extension Internal Control Reviews <i>Fieldwork</i>	Planned audit to evaluate the internal control structure of a sample of OSU Extension county offices. The evaluation will provide leadership with assurances over fiscal management controls, governance and risk management practices.

Engagement Title <i>Stage</i>	Audit Objectives
Research Conflict of Interest Process Review <i>Planning</i>	Planned audit to assess the effectiveness of OSU's program for identifying, monitoring and managing research conflicts of interest.
Decentralized Revenue Operations <i>Planning</i>	Planned audit to examine the internal control structure around decentralized revenue receipts and best practices.

### ENTERPRISE RISK MANAGEMENT (ERM) ACTIVITIES

The OARC continued to facilitate the university ERM program with senior leaders and the board of trustees. The top six ERM risk items were tracked throughout the year, with progress made toward improving employee training programs, sexual harassment and violence prevention and response efforts, lab safety, hazard planning, cyber security and aligning capital resources to meet research facility deferred maintenance needs.

The chief executive of audit, risk and compliance teamed with the interim director of risk services and other Division of Finance and Administration leaders to formalize a risk tool and enhance website resources. The finance and administration and research division leaders championed the use of risk assessments to address specific risk topics within their respective areas.

The OARC was invited to join two national higher education ERM focus groups in summer 2019. The OARC researched national best practices and gathered industry risk registers from leading higher education organizations. The chief executive of audit, risk and compliance was sponsored by the National Association of College and University Business Officers to speak at their national higher education accounting forum on ERM. Positive feedback was received at the forum on Oregon State's risk management efforts within the Division of Finance and Administration and at the board level.

The OARC is working with the provost to establish a university risk advisory group based upon industry best practices to further champion a culture of informed and balanced risk decision-making in order to achieve objectives.

### COMPLIANCE ACTIVITIES

The OARC worked with campus partners to complete an assessment of the state of the university compliance and ethics program that is included in the October 2019 Executive and Audit Committee docket.

The director of compliance was hired, on-boarded and supported by the OARC in creating networks throughout the OSU community. Accomplishments of the compliance program this year included:

- Completed individual meet-and-greets with 60+ compliance partners across the university.

- Conducted initial assessment of compliance areas to identify projects and work plan.
- Provided consultation, guidance and thought partnership for compliance partners' projects and work. Examples include annual reporting to regulators (foreign gifts and contracts reporting, borrower defense reporting), policy development (safety of minors, contract signature authority), standard protocol development and improvement (shipping dangerous goods, disposal of controlled substances), and governance and oversight (review charter and membership of various compliance committees).
- Provided structure and support for major compliance projects: Oregon Equal Pay Act (OEPA) working group, investigations of employee sexual misconduct process, safety of minors on campus policy and practices, and delegation of contract authority policy.

**STAFF RECOMMENDATION**

Staff recommends that the Executive & Audit Committee approve the October 2019 OARC progress report.