

Office of Audit, Risk and Compliance 2019 Final Progress Report & 2020 Annual Plan

BACKGROUND

As outlined in the charter of the Executive & Audit Committee (Committee), 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. In order to meet this responsibility, the OARC develops an annual plan to provide comprehensive audit and consulting coverage and to deploy resources in an effective and efficient manner. The charter provides that the Committee review and approve the OARC plan and progress in accordance with recognized standards, guidelines and best practices. In accordance with the charter, the OARC presents the 2019 calendar year final progress report and the 2020 annual plan.

2019 FINAL PROGRESS REPORT

❖ 2019 Activities

Service Area	Activities
Audit Services	<ul style="list-style-type: none"> ➤ Developed the 2020 calendar year audit plan utilizing industry trends, Oregon State risks, and the Enterprise Risk Management (ERM) process, which included feedback from key stakeholders. ➤ Completed the 2019 audit plan and made recommendations aimed at continual improvement, ensuring compliance with regulatory requirements and Oregon State policy, striving to provide for campus safety, and reducing the risk of financial losses and reputational harm. Completed audits included: 4-H program and county OSU Extension Office fiscal operations review; athletics compliance, football ticket certification and complimentary ticket process review; information technology risk assessment; and external audit coordination including the National Science Foundation incurred cost audit. ➤ After careful evaluation, strategically co-sourced the IT audit position with an external firm due to current market demand for experienced IT auditors. Automated the internal control self-assessment tool and implemented a plan to provide audit coverage over all major functional units. ➤ Expanded the use of newly acquired software data analytic tools and hotline database capabilities for improved proactive trend analysis. Devoted staff resources to refine project database and work paper management processes. ➤ Managed the university-wide hotline and responded to all complaints in a timely manner, evaluated trends, and sought ways to prevent recurrences.
Compliance Services	<ul style="list-style-type: none"> ➤ Hired and on-boarded director of compliance. ➤ Completed meet-and-greets with compliance partners across the university.

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Service Area	Activities
	<ul style="list-style-type: none"> ➤ Provided consultation, guidance and thought partnership for compliance partners' projects and work. ➤ Convened compliance partners by broad compliance area (research, health and safety, financial, information security and privacy, athletics, civil rights and employment) to encourage collaboration, align with the seven elements of compliance, and identify under-mitigated areas for projects. ➤ Convened compliance, audit, risk and legal team to review trends and emerging areas. ➤ Provided structure and support for completion of major compliance projects: Oregon Equal Pay Act (OEPA) working group, employee process for investigations of sexual misconduct, safety of minors on campus policy and practices, and delegation of contract authority policy. ➤ Provided leadership support for quarterly Compliance Executive Committee (CEC) meetings, including reviewing and updating the charge and membership.
Enterprise Risk Management (ERM) Services	<ul style="list-style-type: none"> ➤ Continued to facilitate the university ERM program with senior leaders and the Board of Trustees. All ERM risk items were tracked throughout the year, with significant progress made toward improving training, safety and security at Oregon State University and aligning capital resources to meet research facility deferred maintenance needs. ➤ Networked with national higher education leaders in ERM practices. Formalized models, created a website and helped champion efforts with partners in Finance and Administration, Research and Student Affairs who all utilized tools for risk assessments. ➤ Informed the president, executive team and the Committee of known and perceived high-risk areas throughout the year.
Other	<ul style="list-style-type: none"> ➤ Updated the office website, position descriptions and office charter to reflect the expansion of office duties. Revised the office mission and value statements. ➤ Promoted staff development with the implementation of an annual, formal professional development plan for each staff member specific to their goals. OARC staff auditor successfully earned his Certified Public Accounting license. OARC senior auditor presented with NSF auditors at the Association of College and University Auditors national conference. The OARC's executive assistant led the 2019 Oregon Employees' Charitable Fund Drive for Oregon State that raised nearly \$110,000 from 172 employees, helping many charities in our local community.

❖ **2019 Performance Metrics**

The OARC annual performance metrics relate to value of service and staff qualifications. Targets take into consideration industry benchmarks from the Institute of Internal Auditors (IIA) and the Association of College and University Auditors (ACUA), as well as staff experience.

Measurement	Target	2019 Results
Value of Service	Survey responses on leadership survey. Target: 90% (4.5 on scale of 5)	4.2 (84%) <small>(57 responses/74% return rate)</small>
	Percentage of audit recommendations implemented within action plan due date. Target: 85%.	75% (15 of 20)
Staff Qualifications	Average continuing professional education hours per staff member. Target: 60 hours	57.6¹
	Percentage of staff with advanced degrees or professional certification. Target: 100%	100%
Productivity	Staff turnover. Target: < 20%	0%
	Percentage of audit plan completed through fieldwork. Target: 100%	100%²

¹ CPE target not met partially due to new staff member starting in March 2019

² Two 2019 planned audits in summary phase

2019 OARC and Hotline Complaint Summary and Status

Complaint Status	2015	2016	2017	2018	2019*
In Process					2
Follow-up on Referral					3
Closed	38	31	36	78	60
Total Complaints	38	31	36	78	65

*Through December 31, 2019

In 2019, OARC received complaints from all nine functional units of the university, spanning 11 of the 13 complaint categories. These results help confirm the Oregon State hotline and complaint program is effective and working well.

The statistics included in this report are only those reported through the Accountability and Integrity Hotline or directly to the OARC. Complaints can be received by other offices throughout the campus, such as Equal Opportunity and Access, and are reported separately.

❖ **4th Quarter 2019 Audit Reports Issued and Engagements in Process**

Engagement <i>Status and Risk Rating</i>	Audit Objective
<p>Extension Internal Control Reviews</p> <p><i>Issued – Medium Risk</i></p>	<p>Planned audit evaluated the internal control structure for a risk-based selection of seven OSU Extension county offices. Recommendations were made to improve and enhance controls relative to volunteer management, cash handling and inventory practices. These improvements will help to ensure the safety of minors and enhance fiscal practices.</p>
<p>NCAA Financial Statement Agreed-Upon Procedures</p> <p><i>Issued --Low Priority</i></p>	<p>Performed the NCAA Agreed-Upon Procedures for the OSU Athletics financial reports. The format is prescribed by the NCAA. The report complies with NCAA format and policies. No exceptions noted.</p>
<p>System Access Concerns</p> <p><i>Issued – Medium Risk</i></p>	<p>In response to a complaint, and at the request of unit leadership, the OARC reviewed employees’ system access and billing activity. Recommendations were made to ensure expectations, policies, and procedures were updated and communicated to staff. In addition, interim monitoring procedures were also recommended until the new system, with role-based access, is implemented to ensure activity is in accordance with expectations and policy.</p>
<p>Decentralized Revenue Operations</p> <p><i>Summary</i></p>	<p>Planned audit to examine the internal control structure around decentralized revenue receipts and best practices.</p>
<p>Research Conflicts of Interest Process Review</p> <p><i>Summary</i></p>	<p>Planned audit to assess the effectiveness of Oregon State’s program for identifying, monitoring and managing research conflicts of interest.</p>

2020 ANNUAL PLAN

In setting the OARC’s 2020 priorities, the following are considered: the president’s goals, the strategic plan, ERM efforts, the last time audited, relative importance of operations, changes in systems or management, industry trends and events, recent incidents, external audit focus, and management input. The assessment utilized the *Internal Control-Integrated Framework*

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Principles as published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

A major portion of the OARC’s resources is allocated to performing assurance and consulting activities. The OARC views Oregon State as nine major functional areas in order to ensure the plan provides comprehensive coverage across the university:

1. Governance and leadership
2. Instruction and academic support
3. Research
4. Student services
5. Human resources
6. Fiscal and asset management
7. Facilities and operations
8. Auxiliary operations and athletics
9. Information technology

❖ **Planned 2020 Activities**

The OARC will complete services that protect the value of Oregon State, reduce the cost of risk events, maximize opportunities and retain credibility with key funding stakeholders. The following activities are scheduled to be conducted in 2020:

Service Area	Activities
<p style="text-align: center;">Audit Services</p>	<ul style="list-style-type: none"> ➤ Complete scheduled internal audits <ul style="list-style-type: none"> • College of Forestry fiscal review and building pro-forma audit • NCAA Football Bowl Subdivision attendance certification • Non-resident tuition and tuition remission process • Office of the President internal control review • Purchasing/University Housing and Dining Services audit – time permitting • Departmental internal control reviews ➤ Manage co-sourced/out-sourced internal audits: <ul style="list-style-type: none"> • Information technology audit of managerial/budget reports • Information technology audit of facilities • Construction audits • NCAA financial and compliance audits ➤ Administer the university Accountability and Integrity hotline ➤ Follow-up on open audit recommendations in January and July ➤ Coordinate and serve as the liaison for external audit services and investigations
<p style="text-align: center;">Compliance Services</p>	<ul style="list-style-type: none"> ➤ Provide consultation, guidance and thought partnership for compliance partners’ projects and work. Focus areas include: <ul style="list-style-type: none"> • Lab safety • Human resources – critical training

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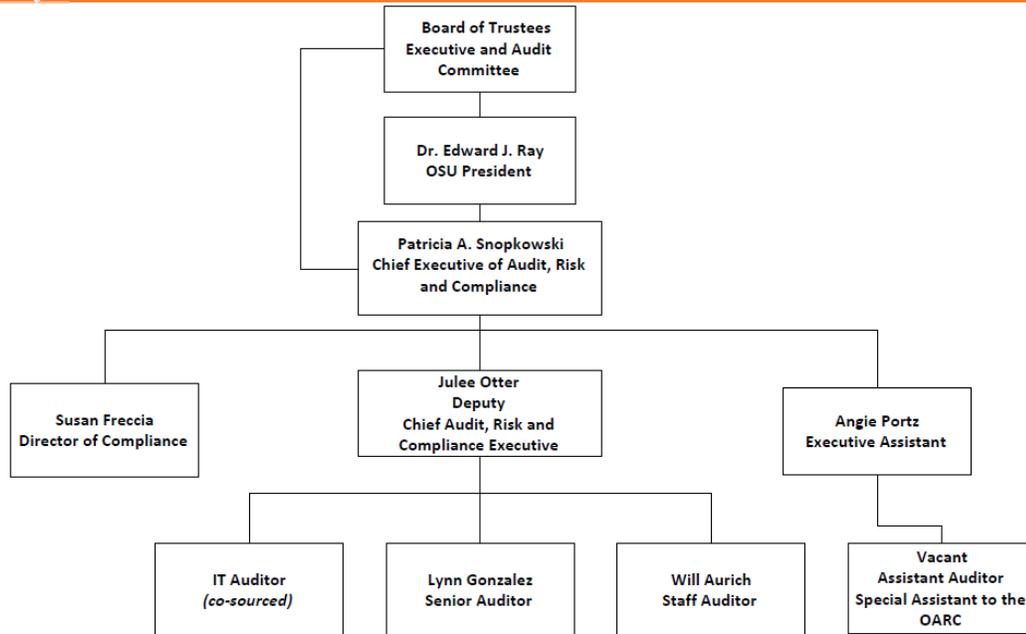
Service Area	Activities
	<ul style="list-style-type: none"> • Title IX and Clery • Data privacy and security • Foreign influence/national security • Safety of minors • Athletics compliance roles and responsibilities <ul style="list-style-type: none"> ➤ Provide structure and support for new major projects: <ul style="list-style-type: none"> • As part of the 30th anniversary of the adoption of the federal Americans with Disabilities Act (ADA), review compliance and implementation best practice • Review policy and reporting of conflict of interest (COI) and conflict of commitment (COC) practices • Develop routine compliance reporting mechanism to deans and other leaders ➤ Fulfill ongoing functions, including: CEC leadership; ethics consultation, training and outreach; policy consultation; and participation on certain compliance and risk committees.
Enterprise Risk Management (ERM) Services	<ul style="list-style-type: none"> ➤ Continue to expand the maturity of the Oregon State ERM program. In partnership with the Division of Finance and Administration, planned activities include: <ul style="list-style-type: none"> • Development of a training program to support informed decision making • Creation of an opportunity/risk evaluation group where facilitated group discussion sessions will be held to discuss informed decision making principles and practices • Participation in national ERM practice groups to share and learn about best practices • Expansion of university resource pages relative to the ERM practices and tools
Other	<ul style="list-style-type: none"> ➤ Professional outreach ➤ University leadership/consulting ➤ Committee work – public safety transition, opportunity-risk advisory group and business process realignment projects advising ➤ Ethics advising

❖ **Charter and Resources**

The OARC plan and responsibilities are developed in accordance with the existing OARC charter approved by the Committee in October 2018: <https://leadership.oregonstate.edu/oarc/office-charter-services>. In 2020, the OARC plans to conduct a strategic retreat to further explore opportunities and identify best practices to outline and communicate OARC services. This exercise may result in updates to charter language relative to the risk and compliance functions.



Office of Audit, Risk and Compliance (OARC)



Revised 10/14/19

The OARC organizational structure provides independence in accordance with standards, guidelines and best practices. Staffing resources are benchmarked against comparable land-grant institutions to ensure consistency with industry standards. Like many Oregon State offices, the OARC staffing level is currently below industry benchmarks; however, the experience level of the OARC staff allows the office to effectively perform the duties required. Staffing needs will continue to be monitored to ensure appropriate levels of service are maintained, and additional resources would be requested if a need were identified during the year.

RECOMMENDATION

Staff recommends that the Executive & Audit Committee approve the Office of Audit, Risk and Compliance’s 2019 Final Progress Report and 2020 Annual Plan.