

Legal, Audit, Risk & Compliance Committee Charter

Purpose of Committee

The Legal, Audit, Risk and Compliance Committee is a standing committee of The Ohio State University Board of Trustees established to assist the Board in fulfilling its role in providing oversight of the university's legal, audit, risk and compliance functions. Matters to be brought before the Committee may include, but shall not be limited to: reports regarding significant legal, legislative and regulatory matters and initiatives; potential and active litigation; oversight and monitoring of compliance programs and activities; university and OSU Wexner Medical Center enterprise risk management programs and business continuity planning; approval and monitoring of affiliated entities; and any other matter assigned to the Committee by the Board or the chair of the Board. Additionally, the Committee will:

- Monitor and discuss with management the financial operations of the University including the effectiveness of internal control over financial reporting.
- Focus on maintaining the integrity of the external auditor's qualifications and independence and the performance of the internal audit function and the external auditors.
- Interface with administration, outside auditors and internal auditors to evaluate financial integrity of University operations and resolve any issues raised by the University's auditors.

Although the Committee has the powers and responsibilities articulated in this charter, the Committee's core function is oversight. It is not the duty or responsibility of the Committee to plan or conduct audits. Management is responsible for the quality, accuracy and integrity of the organization's accounting practices, financial statements and reporting, and system of internal controls. The external auditor is responsible for performing an audit of the organization's financial statements.

Committee Authority and Responsibilities

In furtherance of its purpose set forth above, the Committee shall have the authority to conduct or authorize investigations into any matters within its scope of responsibility. Specifically, it is empowered to:

- Seek access through the university to obtain counsel, accountants, or other expertise to advise the Committee or assist in the conduct of an investigation;
- Seek any information it requires from employees - all of whom are directed to cooperate with the Committee's requests - or external parties;
- Meet with university board members, officers, compliance officer, university counsel, or outside counsel, as necessary;
- Serve as an objective party, independent of management, to monitor the university's compliance with laws and regulations;
- Review all accounting operations and decisions of the University;
- Institute and oversee special financial or fraud investigations as needed and obtain accountants or other expertise to advise the Committee or assist in the conduct of an investigation; and,
- Perform any other activities consistent with this charter, the University's Bylaws, and governing law, as the Committee or the Board of Trustees deems necessary or appropriate.

The Committee will carry out the following responsibilities:

Legal

- Review prospective and active litigation and ongoing legal and regulatory risks of the university.



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- Ensure there are no unjustified restrictions or limitations on, and review and concur in the appointment, review, replacement, or dismissal of the general counsel.
- Review periodically with the general counsel the guidelines, plans, activities, staffing, and organizational structure of the legal function.
- Review the effectiveness of the legal function.
- On a regular basis, meet separately with the general counsel to discuss any matters that the Committee or general counsel believes should be discussed privately.
- Ensure there are no unjustified restrictions or limitations on the legal function.

Audited Financial Statements

- Review with management and the external auditors the results of the audit and resolve any disagreements.
- Review and discuss the University's annual audited financial statements with management and the external auditors prior to submission to the appropriate regulatory officials.
- Evaluate annually the external auditor's qualifications, performance, and independence, including a review and evaluation of the lead partner, taking into account the opinions of the University's management and the chief audit executive, and report its conclusions to the Board of Trustees.
- Review with management and the auditors the status of the University's internal control over financial reporting, including reports on significant findings and recommendations, together with management's response.

Internal Audit

- Maintain a direct reporting line with the internal audit function to enable internal audit services and responsibilities to be performed independently without interference from management.
- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.
- Participate in discussions with the chief audit executive and senior management about the "essential conditions," described in the Institute of Internal Auditors' Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Review and approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services, as well as any changes or updates to the charter.
- Annually review and approve the risk-based internal audit plan with the chief audit executive.
- Annually confer with senior management and the chief audit executive on the internal audit function's activities, staffing, organizational structure, and budgets.
- Obtain periodic updates from the chief audit executive on the performance of the internal audit function relative to its risk-based internal audit plan and discuss the reasonableness of any existing scope or resource limitations.
- Consider the effectiveness of the internal audit function, including conformance with the Institute of Internal Auditors' Global Internal Audit Standards, based on the internal audit function's quality assurance and improvement program.
- Confer with senior management and concur with the appointment or removal of the chief audit executive, with specific consideration of competencies, qualifications, and performance.
- Annually confer with senior management on the performance review and associated compensation and salary adjustment of the chief audit executive.



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- At each meeting of the Committee, provide the chief audit executive an opportunity to report significant findings and management's response and, if needed, discuss privately with the Committee any matters that the Committee or chief audit executive believes should be raised.

External Audit

- The external auditors report directly to the Committee and provide all required audit communications to it.
- Approve the contract with the external auditor for the annual audit of the University, subject to ultimate approval of the Auditor of State.
- Pre-approve all auditing and non-audit services to be provided by the external auditor and/or delegate this authority to the Committee Chair.
- Review and approve the external auditor engagement letter.
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Review the performance of the external auditors, and with input from the administration, determine appointment or discharge of the external auditors.
- Review and confirm the independence of the external auditors by obtaining statements from the auditors on relationships between the auditors and the University, including non-audit services.
- Provide oversight for the rotation of the lead external audit partner.
- At each meeting of the Committee, provide the external auditors an opportunity to discuss privately with the Committee any matters that the Committee or auditors believe should be raised.

Risk

- Discuss university policies with respect to risk assessment and risk management.
- Discuss significant risk exposures and steps to monitor, mitigate, and control these risks.
- Provide oversight of the university's insurance, business continuity, and risk management programs.
- Periodically review the university's enterprise risk management program, the OSU Wexner Medical Center risk program, major insurance policies, and related issues.

Compliance

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Obtain regular updates from the chief compliance officer and university legal counsel regarding compliance and legal matters.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review compliance with Related Party/Conflict of Interest Disclosure Statements for senior management annually.
- Ensure there are no unjustified restrictions or limitations on, and review and concur in the



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appointment, review, replacement, or dismissal of the chief compliance officer.

- Review periodically with the chief compliance officer the guidelines, plans, activities, staffing, and organizational structure of the compliance function.
- Review the effectiveness of the compliance function.
- On a regular basis, meet separately with the chief compliance officer to discuss any matters that the Committee or compliance believes should be discussed privately.
- Ensure there are no unjustified restrictions or limitations on the compliance function.

Reporting Responsibilities

- Regularly report to the Board of Trustees about Committee activities, issues, and related recommendations.
- Provide an open avenue of communication between the general counsel, risk management, government affairs, compliance and integrity, and the Board of Trustees.
- Review any other reports the university issues that relate to the Committee's responsibilities.

Other Responsibilities

- Perform other activities related to this charter as requested by the Board of Trustees.
- Receive periodic updates and an annual legislative report from the office of government affairs.
- Given the reporting relationship, receive regular reports from the general counsel, director of risk management, chief audit executive and chief compliance officer and provide opportunity for them to meet separately to discuss any matters that the Committee or general counsel, director of risk management, chief audit executive and chief compliance officer believes should be discussed privately.
- Establish standards for ethical conduct, and ensure that management has established processes to meet these standards.
- Perform any other activities consistent with this charter, the university's Bylaws and governing law, as the Committee or the Board of Trustees deems necessary or appropriate.
- Review and assess the adequacy of this Committee charter annually, requesting the Board of Trustees approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Report to the Board of Trustees, at least annually, regarding the Committee's activities in discharge of its duties as described in this Committee charter.
- Evaluate the Committee's and individual members' performance on a regular basis.

Committee Meetings

The Committee generally shall meet in conjunction with the regularly scheduled meetings of the full Board, and at such other times and places as it deems necessary to carry out its responsibilities. The Committee has the authority to convene additional meetings as circumstances require. As necessary or desirable, the chair of the Committee may request that members of management, the general counsel, the director of risk management, the chief compliance officer, the chief audit executive and representatives of the external auditor be present at a meeting of the Committee. Meeting agendas will be prepared and provided in advance to members, along with the appropriate briefing materials.



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As part of its job to foster open communication, the Committee shall meet at least annually with management, the senior vice president and general counsel, and the chief compliance officer in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately.

A majority of the voting members of the Committee shall be present in person, or as otherwise permitted under Ohio law, at any meeting of the Committee in order to constitute a quorum for the transaction of business at such meeting.

Committee Membership

All members of the Committee, as well as the Committee chair and vice chair, shall be appointed by the chair of the Board. The chair and vice chair of the Committee shall be trustees or charter trustees. Trustees, student trustees, charter trustees and non-trustee Committee members shall all be voting members of the Committee.

In addition to the trustees appointed to the Committee, the Committee shall also consist of at least one student trustee and up to three additional non-trustee members, with majority membership by trustees at all times. Each member of the Committee shall serve for such term or terms as the chair of the Board may determine or until his or her earlier resignation, removal or death.

All Committee members must be independent of management and the external auditor. In order to be deemed independent, the Committee member:

- Does not directly have a business relationship with the University.
- Is not an executive of another corporation/university where any of the corporation's/university's executive officers serve on that corporation's/university's compensation committee.
- Does not have an immediate family member who is an executive officer of the University.

At least one member of the Committee must be designated as the "audit expert." In order to be deemed an "audit expert," at least one member of the Committee must have:

- An understanding of GAAP and financial statements.
- The ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves.
- Experience in preparing, auditing, analyzing, or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the issues that can reasonably be expected to be raised by the University's financial statements (or experience actively supervising one or more persons engaged in such activities).
- An understanding of internal controls and procedures for financial reporting.
- An understanding of audit committee functions.

Staff and Other Support

Primary staff support for the committee shall be provided by the Office of Legal Affairs with support from the Office of University Compliance and Integrity and the Office of Government Affairs. Further, the



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Committee shall obtain advice and assistance as needed from other advisors as deemed necessary by the Committee.

University Bylaws

The provisions of this charter are intended to comport with the bylaws of the university. To the extent that these provisions conflict, the university bylaws shall control.