THURSDAY, MAY 30, 2019
AUDIT AND COMPLIANCE COMMITTEE MEETING

John W. Zeiger
Elizabeth P. Kessler
Timothy P. Smucker
Brent R. Porteus
Hiroyuki Fujita
Lewis Von Thaer
Gary R. Heminger
Jeff M.S. Kaplan
Anand Shah
James D. Klingbeil
Amy Chronis
Michael J. Gasser (*ex officio*)

Location: Longaberger Alumni House   Time: 10:00-11:30am
            Sanders Grand Lounge

ITEMS FOR DISCUSSION

1. *External Audit Update – Ms. Dewire*   10:00-10:10am

2. *Compliance and Integrity Program Report – Mr. Garrity-Rokous*   10:10-10:25am

3. *Written Reports*   10:25-10:30am

    a.   *Internal Audit Quality Assurance and Improvement Program*
    b.   *Audit and Compliance Committee Scorecard*

Executive Session   10:30-11:30am

Date:	May 6, 2019
To:	The Ohio State University Audit & Compliance Committee
From:	Christa Dewire, Audit Partner
Subject:	External Audit - FY19 Audit Plan

Purpose

To provide the Committee with an overview of our audit approach for the external audit of the University's financial statements as of and for the fiscal year ended June 30, 2019, as well as share certain other Committee-level communications required by professional auditing standards.

Committee Action

No action needed.

Executive Summary

Our report to the Committee highlights key aspects of our audit approach (including our objectives, risk assessment, scoping, materiality, deliverables, and timeline) as well as our continued commitment to the University.

- There are no significant changes in our audit objectives, scope of services, risk-based approach, deliverables or timeline. We will continue to use Parms & Company LLC in a direct assistance capacity, as required under our contract with the Auditor of State.

- We have performed a preliminary risk assessment and have identified three significant risks where we will place increased audit emphasis:
  - *Risk of management override of controls* – a presumed significant risk on all of our audits.
  - *Risk of Fraud in Revenue Recognition in Certain Revenue Streams* – with the focus being on the existence of non-standard patient service revenue.
  - *Risk of Material Misstatement in the Valuation in Unpaid Patient Service Revenue and Reserves for Contractual Allowances and Bad Debts* - related to the level of judgement and estimation involved.

  While still considered to be a critical accounting estimate, the valuation of certain alternative investments (those for which a US GAAP compliant NAV is not available) is no longer considered to be a 'significant risk' given overall materiality and lack of management overlay or adjustment to values provided by third parties.

- There are two new accounting standards effective in the current year related to accounting for asset retirement obligations and footnote disclosures related to debt. In addition, the annual Compliance Supplement that guides our Uniform Guidance Procedures, once issued, may affect certain of the procedures performed to support that report. To the extent the above materially impacts our audit approach, we will update the Committee.

- We remain committed to providing accessible, experienced team members; delivering a "no surprises" audit; providing relevant and timely technical advice; and sharing our independent views and perspectives on matters arising from our audit work, as well as industry best practices. We will also continue to drive innovation into our audit execution, leveraging available technologies and tools while simplifying and/or automating certain audit procedures to improve quality and drive efficiencies.

- Other matters we are required to bring to the Committee's attention are included within our materials.

Report to the Audit & Compliance Committee of the Board of Trustees FY2019 Audit Plan

The Ohio State University
May 30, 2019

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May 6, 2019

Members of the Audit & Compliance Committee
of the Board of Trustees of The Ohio State University

Dear Committee Members:

We appreciate the opportunity to meet with you and present our 2019 audit plan for The Ohio State University (the "University"). Our goal has been and continues to be delivering on your expectations and providing you with the best possible service and value. Our history with The Ohio State University is strong and we are truly proud to continue to serve as the University's independent auditor.

Our plan has been developed to provide the University with an efficient, high quality audit that addresses the key risks and business issues of the organization. Discussion of our plan with you ensures that our engagement team members understand your concerns and that we agree on mutual needs and expectations to provide the highest level of service quality. As in the past years, our plan will remain flexible and responsive to the University's environment. Any significant changes to the plan during the 2019 audit will be shared and discussed with the Audit & Compliance Committee.

We remain committed to candid, forward looking discussions with the Audit & Compliance Committee and management, delivering high quality audits, as well as providing an independent point of view. We look forward to meeting with you on May 30, 2019 to discuss our plan and any other matters of interest to you. If you have any questions in advance of our meeting on any of the matters outlined in this report, please contact Christa Dewire at (614) 629 5344.

Very truly yours,

Christa L Dewire

Christa L. Dewire
Engagement Partner

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Executive summary

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Executive Summary

This Summary, along with Appendix I, outlines our audit strategy including our assessment of significant audit risks and our planned approach for the 2019 financial statement audit of The Ohio State University and is provided to give the Audit & Compliance Committee (the "Committee") the opportunity to review, discuss and comment on our plan. It also summarizes our key technologies which we plan to use in the 2019 audit.

Our primary goal is to provide an audit with the highest levels of accounting and audit quality. We will work with management to identify issues early and leverage our deep understanding of the University and experience in the higher education and healthcare industries to recognize challenges on the horizon. We have a strong appreciation for your responsibility as Committee members, as well as the responsibility of management and understand the importance of your (and their) role to the Board of Trustees and other stakeholders. We affirm our commitment to you to help you meet these responsibilities. We also reaffirm our awareness of our responsibility to call to the Board's attention, through the Committee, any accounting, financial reporting, auditing, internal control, governance or other matters that we believe warrant consideration or action. We appreciate that we have access to you at any time during the year, if needed, to discuss such matters.

Below, we have highlighted the key aspects of our audit plan - both those which have remained consistent year over year, as well as those which have evolved since the prior year.

Aspects of our Audit Plan that remain consistent with the prior year

- **Our Audit Objective and Engagement Scope of Services**
  No changes to the primary objective of our audit, scope of services or external audit deliverables; and continued use of Parms & Company LLC in a direct assistance capacity.

- **Our Commitments**
  Committed to providing accessible, experienced team members; delivering a "no surprises" audit; providing relevant and timely technical advice; and sharing our independent views and perspectives on matters arising from our audit work, as well as industry best practices.

- **Our Audit and Management's Responsibilities**
  Our primary responsibility is to form an opinion on the University's financial statements. Management is responsible for the University's financial statements; establishing and maintaining effective internal control over financial reporting; and ensuring that the University complies with the laws and regulations applicable to its activities.

- **Our Perspectives on Fraud and Fraud Risk**
  No significant changes with respect to our perspectives on fraud and fraud risk. However, we welcome the Committee's views with respect to potential risk of fraud, in particular as it relates to changes in the University's objectives and strategies that the Committee believes introduces business risks that may result in a material misstatement, or any areas that the Committee thinks warrant particular attention during our audit.

Executive Summary

- **Our Top-Down Risk-based Audit Approach**

Audit Strategy

A risk-based approach influenced by an updated understanding of the organization and related risks; determination of materiality and assessment of audit risks; scoping of relevant Components; and development of an approach ultimately scaled based on the size and complexity of the organization and entity-level and information technology controls.

Materiality

Overall materiality is established based on a percentage of total revenue (typically 2%) and assessed in relation to total expenses and net assets; uncorrected misstatements in excess of 10% of overall materiality will be aggregated and reported to management and the Committee.

Significant Risks

- Risk of Management Override of Controls – a presumed significant risk for all of our audits.

- Risk of Fraud in Revenue Recognition in Certain Revenue Streams – ultimately dependent on the nature and complexity of revenue streams; for the purposes of the University audit, we focus on the existence of non-standard patient service revenue at Health System and OSU Physicians.

- Risk of Material Misstatement in the Valuation of Unpaid Patient Service Revenue and Reserves for Contractual Allowances and Bad Debts - related to the level of judgment and estimation involved.

Critical Accounting Estimates

No significant changes in estimates identified, management's methodology for determining estimate or our planned audit procedures in comparison to the prior year.

Use of Specialists

Specialists will assist the engagement team in relation to procedures associated with actuarially-determined self-insured risks, healthcare compliance and reimbursements, information technology general controls, and Uniform Guidance compliance.

- **Your PwC Client Service Team** - Largely consistent year over year.

- **Audit Timeline -** No significant changes planned; continued focus on accelerating / phasing of component audit work.

- **Other Required Communications**
  - Communications Plan – Management and the Audit & Compliance Committee,
  - Relationships between PwC and the University / other matters that might reasonably bear on independence,
  - Significant issues discussed with management prior to retention,
  - Terms of the audit engagement, and
  - Obtain information relevant to the audit.

Executive Summary

Aspects of our Audit Plan that have evolved since the prior year

- **Planned Areas of Audit Emphasis/Significant Risks**

  The prior year audit plan included a significant risk related to the valuation of certain alternative investments for which a US GAAP compliant "NAV" is not available. This risk was 'downgraded' to a 'normal risk' in the current year due to limited management subjectivity in determination of value (value provided by third parties is not adjusted by management), as well as materiality of these particular investments in relation to the total portfolio (23 investments with a fair value of $242 million at June 30, 2018, representing 8% of the total alternative investments portfolio and 3% of the total investment portfolio overall).

- **Continued focus on Simplifying the Audit through Innovation**

  Innovation is imperative to growth and success in any business. At PwC, we are simplifying the way we do audits through innovation. As a Firm, we have made major investments in technology, process improvements and how we develop our people. The result is that we are ushering in a new way of auditing to continue to deliver high quality while improving the audit experience for our clients and people. Areas of continued focus include:

People	Approach	Technology
We are leveraging professionals on the audit from across our Firm who deliver business and industry-specific knowledge by: - Optimizing our staffing mix with global delivery centers and flexibility talent network; - Maintaining staff continuity; - Bringing skills that clients value; - Training our people in new digital skills that will be in demand at PwC and elsewhere, to be their best at work and in life, and to use their skills to make a difference.	We are standardizing, simplifying and automating to enhance audit quality and efficiency, while also developing our people and approach to adapt to changes in our clients' businesses by: - Phasing and smart planning; - Building continuous improvement into the audit process, using Engagement Performance & Quality (EPQ) Framework; - Smart documentation to streamline the workpaper process; - Tailored audit approach for private entities: AICPA audit methodology	We are tech-enabling the audit to streamline, standardize, automate, and centralize our work. On the University audit, we continue to innovate by incorporating the following technologies: - Aura, powering consistent and efficient procedures across the University audits; - Connect, our collaborative workflow tool for status & issue management; - Halo, helping to harness data to provide new sources of value

Executive Summary

- **OSU's Strategic Initiatives and related impact on our Audit Plan**

  The University continues to execute on its overall strategic priorities and initiatives focused on its commitment to access, affordability and academic excellence. To the extent the focus on efficiencies increases the automation, standardization and simplification of certain processes; we will adjust our audit plan accordingly, such that we ensure we are placing reliance on controls where appropriate.

  Further, as new funding or partnership opportunities arise, we will work closely with University management to ensure timely consideration of reporting requirements, as well as potential technical accounting complexities associated with such arrangements. Examples with potential significant impact in the coming year(s) include significant capital improvement projects, as well as contract amendments that have more material impact at the stand-alone affiliate financial statement level (i.e. Athletics, Foundation, and Transportation Research Center).

- **New Accounting Standards/Compliance Requirements for 2019**

Implementation of new GASB Standards (No.'s 83, 88)

Management expects GASB standard No's 83 and No 88 to impact the FY19 financial statements.

- **GASB 83** establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The deferred outflow is recognized as expense over the life of the related asset.
- **GASB 88** is intended to improve footnote disclosures related to debt, including direct borrowings and private placements. Additional disclosures that may be warranted in the University's financial statements related to assets pledged as collateral and significant provisions related to default, termination events and acceleration clauses.

Uniform Guidance

2019 Compliance Supplement: The OMB's annual Compliance Supplement guides our Uniform Guidance procedures and is typically issued in the summer. Areas of interest this year include guidance with respect to procurement requirements, Student Financial Aid program related sample sizes, as well as Gramm-Leach-Bliley Act compliance expectations. We will notify the Committee should the Supplement, once issued, have a significant impact on our planned approach.

Appendix I provides additional information regarding the above. Given the nature and complexity of the University's activities, some modification of the scope of our plan may be required as we execute our audit. We will advise the Committee of any significant changes.

Our continued commitment

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Our continued commitment

We affirm our commitment to the Committee to help you meet your responsibilities. We will endeavor to fulfill our responsibilities to you and management by focusing on quality and the following key commitments:

Perspectives and relevant insights from the audit	• We will continue to attend all applicable meetings of the Audit & Compliance Committee throughout the year. We are available to attend other Committee meetings at your request. • We will provide guidance to management and the Committee related to various accounting and reporting matters, such as the implementation of technical guidance on emerging pronouncements from the Governmental Accounting Standards Board (GASB). • We will provide guidance and insight to management and the Committee on impacts resulting from legislation passed in Congress and any potential reforms in regulatory policies. • We will provide ongoing points of view, thought leadership and personalized education sessions on various accounting and industry issues throughout the year.
Responsiveness, timeliness and transparency	• Our job is to support the Committee as it fulfills its responsibilities to the University's stakeholders. We will pursue an effective relationship with the Committee while maintaining objectivity, acting independent of management, and have direct, candid and timely discussions. • Our team emphasizes prompt and personal communication with the University and will be available to management throughout the year. We will collaboratively work with management to ensure early identification of complex technical matters and communicate timely the impact that any changes have on our audit scope. • We will hold internal weekly audit update meetings (during interim and year end field work) with the various component teams, as well as holding regular weekly meetings with University management, providing real time updates on the status of key issues as needed. • Beyond the scheduled meetings with the Committee, we will maintain timely communication with the Committee Chair throughout the year particularly if significant issues should arise.

Our continued commitment

Quality and innovation	• We support the Committee in achieving its objectives through robust dialogue surrounding issues and expectations, providing independent views on internal controls, technical and business matters.
	• The University operates in a complex environment, requiring additional expertise beyond traditional resources. During the course of the audit, we will utilize our functional experts to evaluate key areas of your business risks. Drawing upon their best practice knowledge, our team will provide points of view related to your business, industry and regulatory compliance. All subject matter specialists are partners/principals, directors, or managers and will assist in audit planning and execution as needed. Such specialists engaged as part of the on-going audit process are outlined in the "Client service team" section.
	• We focus our audit efforts on those areas considered to be material to the University or complexity/judgment involved in the accounting as outlined in the "Risk assessment process and results" section.
	• We will strive to build in continuous improvements into our audit through the continued use of various project management tools at our disposal.
	• We will include our U.S. higher education leader, Chris Cox and our U.S. healthcare services leader, Tim Weld, on our service team to provide industry perspectives to our team and your management team.
	• We will leverage Martha Garner, who serves as our Firm's National Technical Accounting Director for Higher Education and Healthcare and has been exclusively servicing higher education and healthcare entities in her national role for over 30 years, to provide technical advice and advice on emerging GASB pronouncements and ensure the timely resolution of technical issues for the University.
	• We will leverage Ann Pike who serves as our Higher Education and Uniform Guidance Regulatory Specialist in our Uniform Guidance audit and also share with management on a timely basis on any updates for Uniform Guidance or other related regulatory topics.

Our continued commitment

Our multi-year audit innovation strategy

Create a **global xLOS** platform to meet clients' needs in all geographies and promote **reusability** of analytic modules, client data and insights in **appropriate** and approved ways.

Securely extract and analyze our client's information through state of the art methods and cryptography.

Tech-enable the audit to streamline, standardize, automate, and centralize our work in Centers of Excellence/SDCs.

Train our people in new digital skills that will be in demand at PwC and elsewhere, to be their best at work and in life, and to use their skills to make a difference.

Deliver client engagements with **enhanced quality** through **data-driven audit procedures**, machine learning and our best in class resource expertise.

Deliver **next-generation insight** to clients about their data, performance, process efficiency, and optimization in ways not possible with today's PwC tools and applications.

Deliver a workforce of talented professionals with the **triple threat of business knowledge, digital skills, and technology know-how**, who are highly valued in the marketplace.

We commit to sharing more as it relates to our innovation journey on the University's audit at an upcoming Committee meeting.

Our continued commitment

Audit innovation tools

Our current technology used on the audit engagement today

Aura

Aura, our global ERP system, is used by our 100,000 auditors worldwide on every PwC audit. It involves a systematic, risk based approach with workflow technology. This ensures that things are done one way – the right way – consistently and efficiently across the Group. The result is all of the elements of our audit fitting together seamlessly – no duplication, no omissions.

Halo

Halo is revolutionising the PwC audit, providing greater assurance and deeper insight. It is market-leading assurance technology that tests and visualises information, testing more, more often. We are able to share insight with management based on trends and anomalies identified in the data.

Connect

Connect is our data sharing and collaborative workflow tool, providing fast, efficient and secure information sharing at every stage of the audit globally. It monitors the status of information flows on a real time basis.

Connect Audit Manager is our global project management tool which will give you a real time view of the status of all your global statutory audits. CAM will facilitate even greater project management, more visibility and control, and a global consistency across the Group.

ADC

Automated Disclosure Checklist "ADC) is a cloud based technology solution which allows multiple users to work on a checklist at the same time from different locations.

Next generation technology

GL.ai

GL.ai is a revolutionary bot that uses AI and machine learning to 'x-ray' a business, analyzing billions of data points in milliseconds, seeing what humans can't, and applying judgement to detect anomalies in the general ledger. It is the first module of PwC's Audit.ai.

Data Sieve

We have bespoke optical character recognition tools that utilise machine learning technology and can be 'trained' to scan contracts and extract the relevant information. This information is easily searchable and can be analysed in several different ways. The technology is already being used to help clients to implement revenue and Leases for example.

Process mining

Our range of Halo tools can illustrate the journey that each transaction takes through your systems. This generates a detailed illustration of the transaction flows for each key process, showing not only the most common route that transactions take, but also where transactions follow an unexpected path.

This enables us to compare expected data flows to reality and to properly understand the reliance companies are placing on automated and manual controls. This drives a higher quality risk based audit and also generates unique insight into your business.

Our continued commitment
Diversity and inclusion

"When you include a diversity of minds in the decision-making process, you inevitably have a better and stronger result." - Tim Ryan, US Chairman and Senior Partner

An integrated approach

PwC has been on a journey to promote diversity and sustain an inclusive environment. Today, women and minorities comprise 46% and 33% of our firm, respectively. To better align our programs and initiatives with our people and business strategies, our diversity priorities are incorporated into our organization at many levels, starting with our core values of caring and working together, including

- **Our "Blind Spots" program** is required for all new hires and promotees and available to all our people, and helps individuals gain awareness of unconscious biases and their consequences.
- **We continued a series of Color Brave™** conversations about race that has helped break down barriers to employees bringing their best selves to work.
- **We engage our people through employee networking** groups for Black/African-Americans, Asians/Pacific Islanders, Latinos/Hispanics, women, working parents, veterans, people with disabilities, and LGBT professionals.

Another testament of our progress is our 2018 new partner class—the most diverse in our history—with 43% women and minorities.

While we are proud of the progress we have made, there is still more we want to do to enhance our inclusive culture so that we can continue to attract talented people who have unique skills, experiences, and ambitions.

Today, women and minorities comprise **46% and 33%** of our firm, respectively.
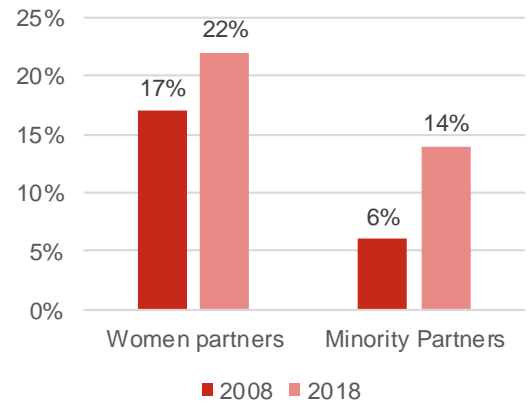
For 2019, women and minorities comprise approximately 50% of the University engagement team at the manager level and above.

"As a result of our efforts to promote diversity and sustain an inclusive environment, the diversity of our partners has gone from 17% women and 6% minorities in 2008 to 22% women and 16% minorities in 2018."

Women partners: 2008 — 17%, 2018 — 22%
Minority Partners: 2008 — 6%, 2018 — 14%

■ 2008 ■ 2018

Appendix I – Audit Approach

Audit objective

As the University's auditor, we are responsible for reporting on numerous financial statements.

Our audit engagement is directed toward delivering our services at three levels:

For stakeholders	Independent opinions and reports that provide assurance on financial information released by the University
For the Committee	Assistance to the Committee in discharging its governance compliance responsibilities
For management	Observations and advice on financial reporting, accounting and internal control issues from our professionals, including sharing experience on industry best practices

Our audit does not relieve management of its responsibilities with regard to the financial statements.

In performing our audits for 2019, our primary objectives are as follows:

- Opine on the University's financial statements (Primary Institution and Discretely Presented Component Units) in accordance with generally accepted auditing standards (GAAS) and, as applicable, Government Auditing Standards (GAGAS).
- In connection with our audits, we will obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.
- Perform an audit of the University's compliance with federal award requirements in accordance with OMB Uniform Guidance.
- Communicate in writing to management and the Committee all material weaknesses and significant deficiencies identified during the audit. In addition, communicate in writing to management all deficiencies in internal control of a lesser magnitude identified during the audits.
- Pursuant to professional standards, communicate certain other matters to the Committee on a timely basis.

We will also opine on or perform reviews of the financial statements of various components of the University as outlined on the following page.

Audit deliverables

We will provide the following services in connection with our audit contract with The Ohio State University for FY 2019 (no changes from the prior year):

University Audit	Components	Deliverables
Primary Institution	General University	Financial Statement Audit Opinion (GASB)
	OSU Wexner Medical Center Health System (OSU Health System)	
Discretely Presented Component Units	OSU Physicians	GAGAS Internal Controls Opinion (including procedures to support compliance with Ohio Revised Code)
	Campus Partners for Community Urban Redevelopment and Subsidiaries (Campus Partners)	
	Transportation Research Center Inc.	
	Dental Faculty Practice Association, Inc.	

Other Deliverables	Reporting Entity
Stand-alone Financial Statement Audits	OSU Foundation
	OSU Health System
	Transportation Research Center
	OSU Physicians
	Athletics Department
	WOSU Public Media
	OSU Global Gateways
	Campus Partners
Compliance	Uniform Guidance
Review report	Wexner Center for the Arts
	OSU Health Plan
Agreed Upon Procedures	NCAA
Benefit Plan Audit	Transportation Research Center – Benefit Plan

Our contract with the State of Ohio as it relates to the audit of The Ohio State University requires that we utilize a Minority Business Enterprise (MBE) firm (Parms & Company, LLC) for approximately 15% of the annual contract fee for certain deliverables (specifically, those in excess of 800 hours).

Risk assessment process and results

Approach and definitions

Our audit approach is based on the following principles:

- The use of a top-down, risk-based approach
- The application of well-reasoned professional judgment

These principles, with the application of materiality, allow us to develop and execute our audit approach in an effective and efficient manner. The results of our risk assessment include the identification of audit risks and also drives the identification of significant accounts. We evaluate audit risks as defined below.

Significant – requires special audit consideration in terms of the nature, timing or extent of testing (or in other respects) due to the risk's nature, likely magnitude of potential misstatement and/or likelihood of that risk occurring - including the possibility that the risk may give rise to multiple misstatements.

Elevated – requires additional audit consideration beyond what would be required for a normal risk, but that does not rise to the level of a significant risk because of the nature, likely magnitude of the potential misstatements and/or the likelihood of the risk occurring.

Normal – relates to the relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgment. Although a risk of material misstatement exists, there are no special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

Risk assessment process and results

Significant risks

We have outlined below the significant risks identified based on our preliminary risk assessment process.

Risk	Related accounts (including relevant assertions)
⚠ Management Override of Controls	Pervasive
Planned audit response	
We will evaluate the design and operating effectiveness of internal controls as well as perform substantive tests of details for significant risk areas including testing journal entries.	
⚠ Fraud in Revenue Recognition	Existence of Non-Standard Patient Service Revenue (Health Systems and OSUP)
⚠ Material Misstatement in Patient Revenue and A/R	Valuation of Unpaid Patient Service Revenue and Reserves for Contractual Allowance and Bad Debts (Health Systems and OSUP)
Planned audit response	

- Test for existence of Patient Accounts Receivable at year-end by tracing certain attributes back to patient medical records.
- Test for existence of non-standard Patient Service Revenue transactions (i.e. transactions processed in the subsidiary ledger that are not associated with a patient or revenue recognized directly in the general ledger) by tracing certain attributes back to patient medical records or other supporting documentation and cash receipts.
- Perform walkthrough procedures to gain an understanding of management's reserve methodology for different classes of A/R.
- Perform testing over management's contractual allowance and bad debt reserve models.
- Perform risk assessment analytical procedures over days sales outstanding, accounts receivable aging analysis, bad debt write-offs analysis, net patient service revenue (NPSR) revenue analysis, contractual allowance collection percentage change analysis, and NPSR cut-off.
- Obtain and review management's hindsight analysis on FY18 net billed A/R, which will be compared to payments received through June 30, 2019, in order to gain an understanding of the accuracy of management's reserve methodology.
- Perform an additional subsequent cash analysis on the June 30, 2019 net A/R balance, in order to obtain further evidence over the adequacy of the current year reserves.

Risk assessment process and results

Other Areas of Audit Focus

In addition to the significant risk identified above, we have identified the areas below that are not considered significant or elevated risks but are areas of focus during the audit due to materiality of the balance or complexity/judgment involved in the accounting. Such audit areas are subject to material accounting policies and/or judgments and are considerations as we develop our current year audit approach.

- Accounting and reporting for actuarially determined estimates (medical malpractice, pension and other post employment benefit liabilities),
- Determination of which entities are to be included as component units under GASB reporting guidelines due to their significance and the nature of the University's relationship with the entities,
- Valuation of certain alternative investments, and
- Presentation and disclosure of the financial statements.

Uniform Guidance Reporting and Compliance Risk

Although not considered a significant risk from a financial reporting standpoint, we also focus our audit procedures on regulatory compliance, including federal grants, and continued focus on compliance processes and controls over the University's federally sponsored research, financial aid, and other programs. These procedures are performed in connection with our OMB Uniform Guidance audit due to the reputational risk and potential regulatory ramifications associated with non-compliance.

Independence

As auditors of the University, we are subject to a variety of standards to ensure our independence, including American Institute of Certified Public Accountants, Governmental Accountability Office, and internal PwC standards. Our quality control processes include confirmation of independence by professional staff and training and are established to ensure our continuing independence.

We hereby confirm that we are independent of the University for the fiscal year ending June 30, 2019. We will reconfirm our independence at the completion of our June 30, 2019 audits for the University.

Risk assessment process and results

Materiality

We consider both quantitative and qualitative factors in our assessment of materiality. We also assess the metrics used by the users of the financial statements in determining the appropriate base for calculating materiality.

Materiality is defined as 'the magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.'

We identify and assess the risk of material misstatement at:

• The overall financial statement level, and

• In relation to classes of transactions, account balances and disclosures.

Our determination of materiality is a matter of professional judgment, and is affected by our perception of the financial information needs of users of the financial statements. Therefore, the benchmark we use to calculate materiality varies based on the audit being performed but is consistent with industry benchmarks. Based on our consideration of the quantitative and qualitative factors, our preliminary materiality is as follows:

Preliminary materiality threshold	Purpose for the audit	Preliminary Amount
Overall materiality	Our assessment of materiality for the financial statements as a whole. This is the level at which we believe a misstatement could reasonably be expected to influence the decisions of users of the financial statements.	Primary Institution: $120M Discretely Presented Component Units: $11.8M
De minimis	The threshold below which misstatements are considered to be clearly trivial. We will report to you all unadjusted misstatements identified during our work in excess of this amount.	Primary Institution: $12.0M Discretely Presented Component Units: $1.18M

Scoping

Consolidated financial statement scoping

In an audit of the financial statements of an organization with operations in multiple locations or components, we determine the extent to which audit procedures should be performed at selected locations to obtain reasonable assurance about whether the overall financial statements are free of material misstatement. As part of that analysis, we consider:

- The size and complexity of the business and its components;
- The existence of entity-level and information technology general controls; and
- Management's process for evaluating internal control over financial reporting.

Once the components have been selected, we scope in financial statement line items considering various factors, including those outlined in the box below. There are three different levels of scope that may be applied to each location, which are outlined below.

Levels of scoping

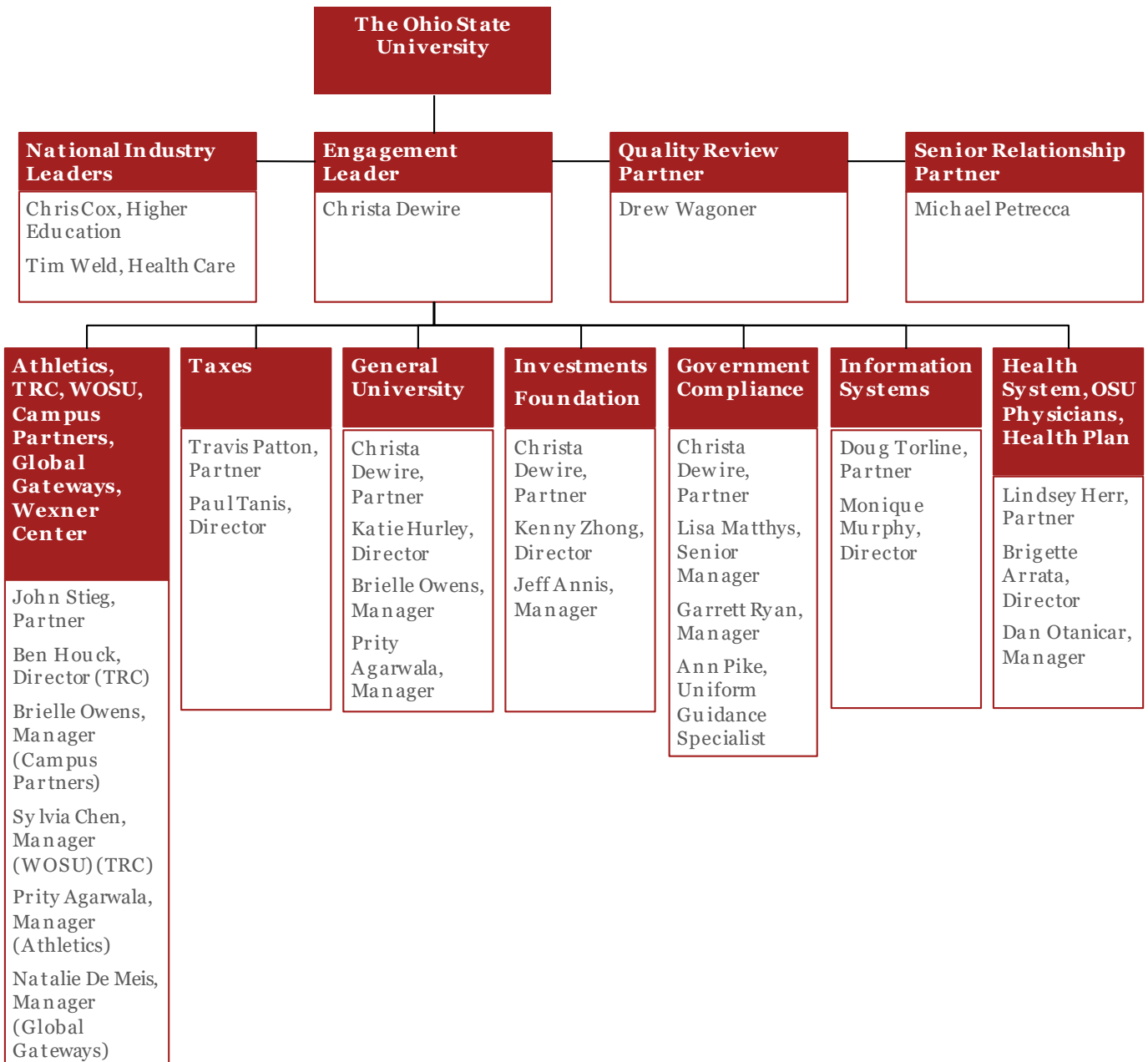|	
Full scope –	An audit of the financial information using allocated materiality
Limited scope –	Audit procedures over certain identified balances and/or transactions using allocated materiality
Out of scope –	Detailed audit procedures not performed, but certain entity-level and risk assessment procedures provide insight into the reasonableness of the balances at these locations

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	Full Scope	*Limited Scope*	*Out of Scope*
Primary Institution	✔		
Health Systems	✔		
OSU Physicians	✔		
Transportation Research Center		✔	
Campus Partners		✔	
Dental Faculty Group			✔

Considerations for scoping accounts

- Size and composition of the account
- Susceptibility of misstatement due to errors or fraud
- Volume of activity, complexity and homogeneity of the individual transactions processed through the account or reflected in the disclosure
- Nature of the account or disclosure
- Changes from the prior period in account or disclosure characteristics

- Accounting and reporting complexities associated with the account or disclosure
- Exposure to losses in the account
- Possibility of significant contingent liabilities arising from the activities reflected in the account or disclosure
- Existence of related-party transactions in the account
- Knowledge obtained in prior audits

Client service team

Your service team is comprised of very experienced professionals, reflective of the stature and importance of the University as a leading higher education client of PwC. In selecting our team, we focused on those team members with significant, relevant industry experience in areas that are important to the University, the Medical Center, and the other relevant components. All partners and managers below have relevant higher education and/or healthcare experience from past university audits and, in almost all cases, other relevant experience.

The Ohio State University

National Industry Leaders	Engagement Leader	Quality Review Partner	Senior Relationship Partner
Chris Cox, Higher Education Tim Weld, Health Care	Christa Dewire	Drew Wagoner	Michael Petrecca

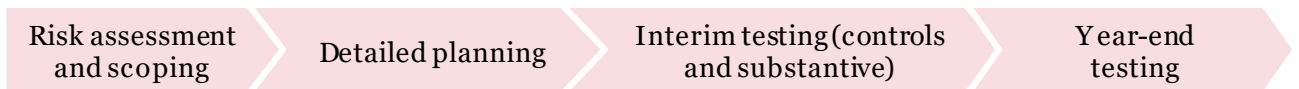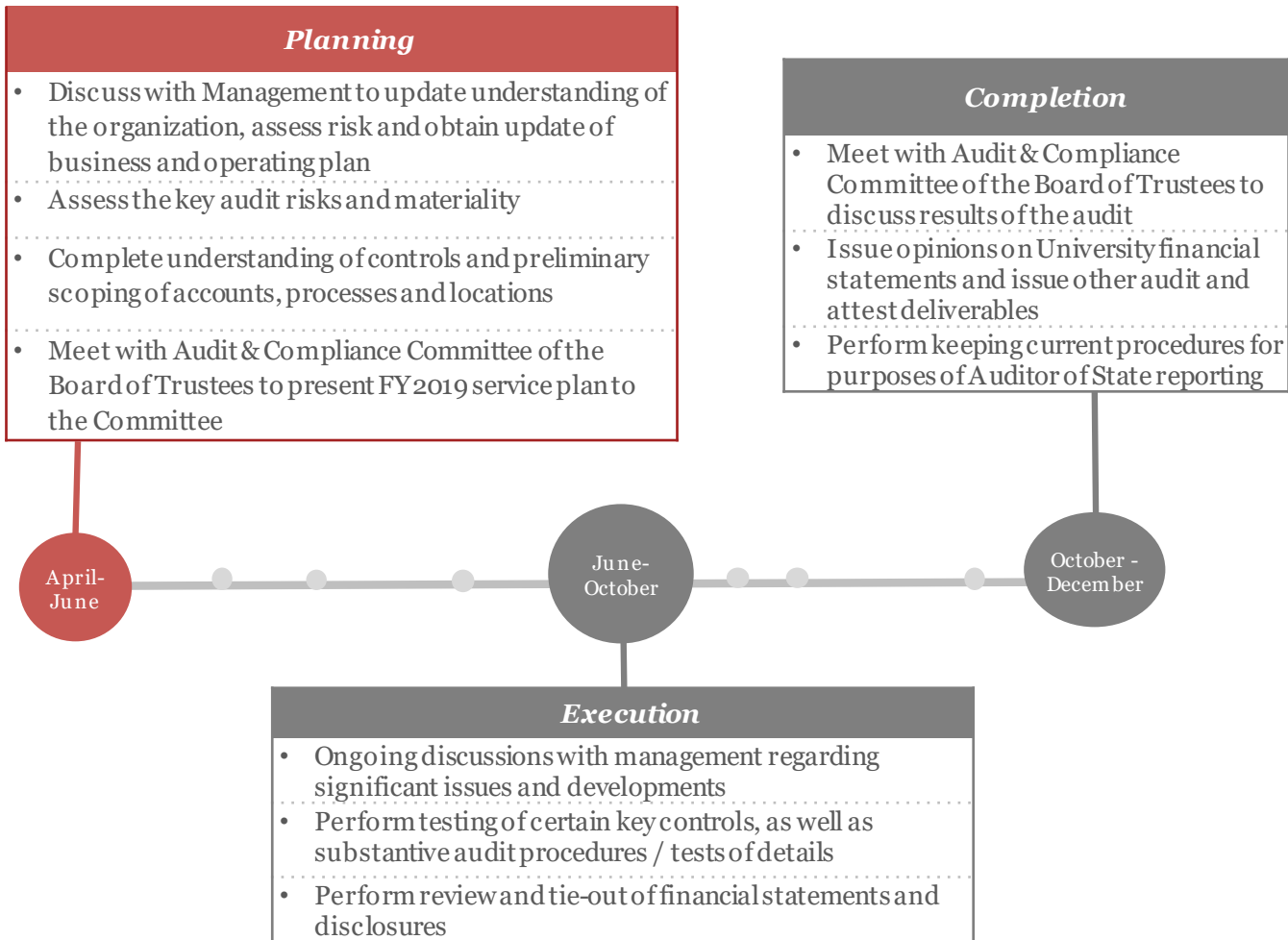| Athletics, TRC, WOSU, Campus Partners, Global Gateways, Wexner Center	Taxes	General University	Investments Foundation	Government Compliance	Information Systems	Health System, OSU Physicians, Health Plan
John Stieg, Partner Ben Houck, Director (TRC) Brielle Owens, Manager (Campus Partners) Sylvia Chen, Manager (WOSU)(TRC) Prity Agarwala, Manager (Athletics) Natalie De Meis, Manager (Global Gateways)	Travis Patton, Partner Paul Tanis, Director	Christa Dewire, Partner Katie Hurley, Director Brielle Owens, Manager Prity Agarwala, Manager	Christa Dewire, Partner Kenny Zhong, Director Jeff Annis, Manager	Christa Dewire, Partner Lisa Matthys, Senior Manager Garrett Ryan, Manager Ann Pike, Uniform Guidance Specialist	Doug Torline, Partner Monique Murphy, Director	Lindsey Herr, Partner Brigette Arrata, Director Dan Otanicar, Manager

Client service team

Use of Specialists

During the course of the audit, we will utilize our functional experts to evaluate key areas of your business risks—such as self-insured risks, information systems controls and security and compliance. These specialists will ensure that we have the right resources to achieve our audit objectives. Drawing upon their best practice knowledge, our team will provide points of view related to your business, industry and regulatory compliance.

Area of expertise	Description of service
Financial Services Valuation Specialists	Assistance with the risk assessment and evaluation of the fair value of certain investments and related disclosures
Actuarial Insurance Management Solutions	Review of actuarially determined balances and actuarial models for medical malpractice
Healthcare Reimbursement Specialists	Review third party account transactions subject to complex rules and interpretation
Process Assurance	Assist the core audit team with gaining an understanding of the System's IT environment and testing of IT and application controls as deemed relevant.
Data Management Group	Review of complex spreadsheets and data outputs and assistance with SAS 99 journal entry testing.
Healthcare Compliance Services	Provide guidance to Medical Center audit team and the University regarding healthcare compliance requirements
Regulatory Compliance Services	Review the University's OMB Uniform Guidance report and data collection form as well as provide perspective on federal agencies' monitoring and expectations of award recipients

Timeline and communication plan

The below outlines our expected timing of communications and planned audit procedures. In addition, we may communicate with you more frequently, if and when significant matters arise.

Planning

- Discuss with Management to update understanding of the organization, assess risk and obtain update of business and operating plan
- Assess the key audit risks and materiality
- Complete understanding of controls and preliminary scoping of accounts, processes and locations
- Meet with Audit & Compliance Committee of the Board of Trustees to present FY 2019 service plan to the Committee

Completion

- Meet with Audit & Compliance Committee of the Board of Trustees to discuss results of the audit
- Issue opinions on University financial statements and issue other audit and attest deliverables
- Perform keeping current procedures for purposes of Auditor of State reporting

April-June

June-October

October - December

Execution

- Ongoing discussions with management regarding significant issues and developments
- Perform testing of certain key controls, as well as substantive audit procedures / tests of details
- Perform review and tie-out of financial statements and disclosures

| Risk assessment and scoping | Detailed planning | Interim testing (controls and substantive) | Year-end testing |

Other required communications

Fraud

We are required to make certain inquiries of the Audit & Compliance Committee of the Board of Trustees related to fraud risks. In addition, as part of our overall response to fraud risk, we incorporate unpredictability into our audit by modifying the nature, timing and extent of our procedures.

Fraud is a broad legal concept and auditors do not make legal determinations of whether fraud has occurred. Rather, the auditor's interest specifically relates to acts that result in a material misstatement of the financial statements. The primary factor that distinguishes fraud from error is whether the underlying action that results in the misstatement of the financial statements is intentional or unintentional. The following two types of misstatements are relevant to the auditor's consideration of fraud:

Fraud items for discussion:

- *Programs and controls in place to mitigate the risk of fraud and error*
- *Specific concerns about the risk of fraud or error*
- *Any actual, alleged or suspected fraud*
- *Oversight of the assessment of fraud risks and mitigating controls*
- *Violations or possible violations of law*
- *Nature and extent of communications about misappropriations by lower level employees*
- *Other matters relevant to the audit*

Misstatements arising from fraudulent financial reporting are intentional misstatements or omissions of amounts or disclosures in financial statements designed to deceive financial statement users where the effect causes the financial statements not to be presented, in all material respects, in conformity with generally accepted accounting principles (GAAP).

Misstatements arising from misappropriation of assets (sometimes referred to as theft or defalcation) involve the theft of an entity's assets where the effect of the theft causes the financial statements not to be presented, in all material respects, in conformity with GAAP.

Other required communications

Relationships between PwC (or any affiliates of the Firm) and the University (and its affiliates) and other matters that might reasonably be thought to bear on independence	We carefully monitor the independence of our team members. Should we become aware of an independence breach or new circumstance that would affect our ability to complete the audit, we will inform you on a timely basis. There were no relationships or other matters identified that might reasonably be thought to bear on independence.
Terms of the audit engagement	The terms of the audit engagement, including the objective of the audit and management's and our responsibilities, are set forth in our engagement letter. We will provide a copy of the engagement letter to the Committee Chair upon its execution.
Significant issues discussed with management prior to appointment or retention	There were no significant issues discussed with management in connection with the retention of PwC.
Obtain information relevant to the audit	We will inquire of the Audit & Compliance Committee of the Board of Trustees about whether it is aware of matters relevant to the audit and about the risks of material misstatement.

Compliance Report

Board of Trustees
Audit and Compliance Committee

Compliance and Integrity Program

Office of University Compliance and Integrity

May 30, 2019

Executive Summary

Committee Action: *For information and discussion. No vote is required.*

1. Environmental Health and Safety
- EHS is responsible for health and safety compliance at all OSU campuses, extensions and university hospital complexes. Over the past five years, EHS has managed approximately 85 regulatory audits in connection with these responsibilities.
- EHS's safety culture initiative continues to focus on laboratory safety through education and training, while engaging college and department leaders through Site Assessment Scorecards and Reports for each college/administrative unit.
- OSU's energy management contract with Ohio State Energy Partners (OSEP) substantially changed many aspects of control over university physical environments, and transferred many responsibilities to OSEP. EHS remains directly involved in ongoing compliance oversight and new project evaluation.

2. Shared Values Initiative
- We have begun a proactive university-wide initiative to reinforce our ethical culture and live our shared values, to better advance the university's core work of teaching, learning, research, and service.
- The initiative will engage members of the community by survey, and will integrate and elevate existing values and leadership efforts.

3. Legal and Policy Requirements

- **Overall Management of Conflicts of Interest Requirements**
  University employees are subject to various conflicts of interest provisions under federal regulations, state law, and university policy. To satisfy these requirements, we are focused on improving disclosure processes, sharing expertise and information, and expanding training across campus.
- **Board Member and Senior Leader Ethics Management**
  The Ohio Ethics Law prohibits public officials and employees from misusing their positions for personal gain or to benefit their family members or business associates. The Board Office, Office of Legal Affairs, Office of Academic Affairs, and the Office of University Compliance and Integrity work together to assist leaders in meeting these requirements. We are focused on protocol standardization, increased education, and tailored guidance.

4. Resolution Agreement with Office for Civil Rights (OCR) [Title IX]
- The university has made no submission to OCR since the last Board meeting.
- The interim Title IX Coordinator spoke with the Office for Civil Rights on May 1, 2019, and OCR confirmed that Ohio State has no outstanding items under our Resolution Agreement and suggested that we might receive a closure letter in the near future. We informed OCR of developments with the Office of Institutional Equity; no additional information has been requested.

Compliance and Integrity Program

WRITTEN REPORT

1. ENVIRONMENTAL HEALTH AND SAFETY

Overview

EHS operationally resides in the Department of Facilities Operations and Development (FOD) within the Office of Administration and Planning (A&P). EHS is led by Senior Director Tina Bogac, MBA. The office is comprised of 42 full-time employees, 12 of whom hold post graduate degrees. In total, the staff hold over 35 regulatory or industry recognized certifications.

EHS is responsible for health and safety compliance at all OSU campuses, extensions, and university hospital complexes. Beginning in FY2017, the Medical Center Safety & Emergency Preparedness Program was integrated into EHS, as part of the larger facilities integration process. While much of EHS' work is compliance focused, EHS also provides service operations, such as hazardous waste collection and disposal, routine hazardous materials sampling, and incident/emergency response, which are crucial to the success of the university's teaching, research, and patient care missions.

EHS manages the regulatory relationships with the significant number of regulators governing these activities. Over the past five years (FY2014-FY2019), EHS has managed approximately 85 regulatory audits in connection with these responsibilities.

The regulators and compliance coverage of these programmatic areas can be summarized as follows:

Program Area	Primary Regulators	Compliance Overview	OSU Examples
Radiation Safety	Nuclear Regulatory Commission (NRC) / Ohio Department of Health (ODH)	Compliance and licensing for all use of radioactive material and radiation generating devices in research and patient care	• Oversight of nuclear research reactor • Patient treatment involving radiation therapy • Research use of radioactive materials • Oversight of all radiation generating equipment (i.e. medical and non-medical x-ray equipment)
Environmental Affairs	US Environmental Protection Agency (USEPA) / Ohio Environmental Protection Agency (OEPA)	Compliance and permitting related to air, water, waste and asbestos	• Packaging, pickup and disposal of hazardous wastes (i.e. infectious, chemical and universal wastes) • Storm water MS-4 permits • Asbestos abatement
Occupational Health & Safety / Research Safety & Biosafety	Occupational Safety & Health Administration (OSHA) / Ohio Public Employee Risk Reduction Program (PERRP)	All compliance related to worker safety, including hazard communication, personal protective equipment and exposure limits	• Respirator fit testing and training • Hearing conservation program • Laboratory use of hazardous chemicals and/or operations • Potential occupational exposure to human bloodborne pathogens

Medical Center Safety	Center for Medicare Services (CMS) / The Joint Commission	Compliance related to Environment of Care, Life Safety and Emergency Management	• Joint Commission 6 management plans (Safety, Security, Utilities, Hazardous Materials, Fire Safety, Medical Equipment) oversight
			• Project reviews to ensure regulatory compliance
			• Regulatory documentation for TJC/CMS:
			  - Interim life safety measureso
			  - Space/system categorization (NFPA 99, chapter 4)
			• Emergency management exercises and EOP management

Research Safety & Biosafety	National Institutes of Health (NIH) / Centers for Disease Control (CDC)	Federal guidelines for use of recombinant or synthetic nucleic acid molecules and infectious agents in laboratory and/or clinical research	• Human gene transfer clinical trial protocol review • Hazard evaluations for the use of biohazards / rDNA in research laboratories

EHS is organized into five program areas, which align with the above regulatory categories (with some adjustments for organizational effectiveness). These program areas are as follows:

Compliance and Integrity Program

- **Research Laboratory Safety (Chemical & Biological)** – focuses on management and regulatory compliance involving research laboratories on campus, by supporting the research goals of the university while actively promoting a safe working environment
- **Environmental Affairs** – compliance with environmental regulations under federal and state law
- **Medical Center Safety & Emergency Preparedness** – oversight and guidance for the environment of care, safety, life safety and emergency management programs in The Ohio State University Wexner Medical Center
- **Occupational Health & Safety** – assists the university community in identifying, evaluating and eliminating occupational and workplace hazards that can cause illness or injury
- **Radiation Safety** – provides regulatory compliance oversight for all use of radioactive materials and radiation generating devices, both in research and clinical applications

Key Recent Priorities

a. Ongoing Safety Culture Initiative

Nearly every research activity that occurs in any national industry happens somewhere on the university campus or in the medical system. Due to some fairly significant events that have occurred at various academic campuses across the county over the past 10 years, there has been an evolutionary shift in the approach to safety at academic research campuses. Universities are searching for ways to positively and regularly communicate with their faculty, staff, and students, as well as leadership, regarding safety and compliance. While there have not been any major incidents at Ohio State during this time, the external incidents have prioritized EHS' focus on an active campaign to promote a positive safety culture and accountability. Accordingly, EHS launched a campus-wide Safety Culture Marketing & Communication campaign in 2015, which includes a bi-annual survey to assess the safety culture climate at Ohio State. Results of this bi-annual survey assist EHS in monitoring the effectiveness of its proactive educational efforts.

The long-term effectiveness of these efforts is evaluated through the incidence of accidents. The table below reflects overall improvement in accident rates since 2004. (The table does not include data from the Medical Center, which until 2018 operated separately.)

	OSU Recordable Rate	BLS Recordable Rate	Lost Day Rate	Restricted Day Rate	Lost Days per Incident	Number of Accidents
2004	1.68	2.8	0.9	0.3	7.3	327
2005	1.76	2.7	0.7	0.2	9.0	320
2006	1.78	2.5	0.7	0.2	7.9	356
2007	1.98	2.6	0.6	0.4	5.9	406
2008	1.77	2.4	0.7	0.4	5.9	400
2009	1.30	2.2	0.5	0.3	2.6	295
2010	1.33	2.2	0.5	0.2	6.0	320
2011	1.42	2.1	0.5	0.3	2.4	368
2012	1.30	1.8	0.4	0.3	5.8	340
2013	1.49	2.0	0.3	0.3	4.4	366
2014	1.40	1.9	0.2	0.5	11.4	278
2015	1.40	1.9	0.5	0.4	11.6	292
2016	1.02	1.7	0.3	0.3	11.6	226
2017	1.30	1.7	0.4	0.3	6.4	291

Notes: OSHA Incidence Rate (also referred to as Recordable Incidence or Incident Rate) is the number of OSHA Recordable Accidents per 100 Full Time Employees. BLS (Bureau of Labor Statistics) Incidence Rate is based on similar industry reporting; it is a comparison rate.

Compliance and Integrity Program

In fiscal year 2019, EHS continues to focus on education and training by revising remaining EHS online safety training and moving to the BuckeyeLearn platform. The main focus will remain on active engagement with university leadership, including the continued development of innovative channels of communication, Laboratory Safety Quarterly Site Assessment Scorecards (QSAS), and Annual Site Assessment Summary Reports (ASAS) for each college/administrative unit. These reports continue to show improvement across colleges and units, particularly in high-risk deficiencies; the identified high-risk deficiencies have declined from 976 in 2015 to 658 in 2018 (33%), over a comparable number of inspections. Over four years, the total number of deficiencies has decreased 34%. Equally significantly, the QSAS and ASAS processes have driven ownership and accountability for lab safety by principal investigators, as measured a reduced average response time to deficiencies.

EHS has expanded the Brutus Buckeye safety messaging campaign with short videos and additional print media. EHS is also focusing efforts on communicating the importance of occupational health & safety to undergraduate students, especially in the areas related to laboratory and construction safety. EHS issues a new Safety Brief each month via Ohio State websites, OnCampus, and Twitter accounts.

The Safety Culture initiative reflects EHS' effort to move away from the traditional reactive style of environmental health & safety programs and towards a proactive, prevention model. The staff continues to respond when a safety or compliance issue arises, and works to determine a resolution. Once the immediate issue is resolved, EHS proactively works to put programs and policies in place to mitigate the risk of the issue arising again in the future. This entails significant effort in control auditing, program development, accountability, and leadership engagement.

We therefore view our efforts in safety culture to be a pilot for building the long-term model for a best in class EHS compliance program.

b. Subcontracted Management of Utilities Assets

The university's energy management contract with Ohio State Energy Partners (OSEP) substantially changed many aspects of control over the university's dormitory, office, and laboratory environments. The OSEP contract also involved transfer to OSEP of the management of some EHS compliance tasks related to the operations of university utilities system, while providing the university with opportunities for enhancement of sustainability efforts, infrastructure, technology, and development. With these opportunities came the challenge of ensuring that regulatory compliance of these systems continues to be maintained and improved. Ensuring that OSEP continues to follow the applicable regulations, evaluate regulatory changes for impacts to operations, and evaluate the regulatory impacts of system changes is crucial to the success of the EHS compliance program for utilities.

In fiscal year 2019, EHS transitioned from a day-to-day role in managing compliance to an oversight and technical support role. EHS continues to manage compliance activities for the permitting, recordkeeping, and reporting functions of the applicable rules, while OSEP took control over operations of the utilities system. EHS generated a calendar of compliance-related EHS activities, on which OSEP now relies, and all compliance tasks have now been transitioned to an EHS professional hired by OSEP. EHS continues to review proposed projects for regulatory impacts and permitting compliance to support the OSU/OSEP partnership. All permitting of new emissions-generating equipment are done with EHS review and input. Finally, an EHS staff member will participate in the annual third-party audit of OSEP's environmental management program. OSU also reviews OSEP's future operational and construction plans to evaluate for potential EHS compliance impacts to the university.

2. SHARED VALUES INITIATIVE

We have begun a proactive university-wide initiative to reinforce our ethical culture and live our shared values, to better advance the university's core work of teaching, learning, research, and service. Four key focus areas of this initiative are shared values, robust sharing of ideas and concerns, disciplined decision-making, and trusted leaders (see figure 1 below). The initiative is co-sponsored by Provost and Executive Vice President Bruce McPheron, Senior Vice President Susan Basso, and Chief Compliance Officer Gates Garrity-Rokous.

OUR AMBITION: Reinforce our ethical culture and live our shared values to better advance the university's core work of teaching, learning, research, and service.
(fostered through structured education, communication, and evaluation)

FOCUS AREA		GOAL
Shared Values		The daily interactions and behavior of all university community members are guided by a shared set of values at the unit, college, and university level.
Robust Sharing of Ideas & Concerns		Faculty, staff, and students feel comfortable sharing ideas and concerns, and leaders listen to and address both respectfully.
Disciplined Decision-Making		Individuals consider shared values and the common good when making difficult decisions.
Trusted Leaders		University leaders at all levels behave ethically, uphold shared values, and expect to be held and are held to the highest standards of integrity.

Figure 1

The initiative will inventory and integrate existing efforts in the Offices of Academic Affairs, Human Resources, and University Compliance and Integrity, as well as within colleges and units, to build a culture of integrity and to reinforce ethical leadership. The initiative also extends the work that resulted in the revision of the university's Mission, Vision, Values and Goals, which occurred prior to the institution's 2017 reaccreditation.

The initiative will include a values and ethics survey of all faculty, staff, and students on all campuses and at the Wexner Medical Center, in the Autumn Semester. The survey is being developed in consultation with Ethics & Compliance Initiative (ECI), an independent nonprofit organization, which will conduct the survey and enable the university to benchmark results against higher education peers and other organizations. Survey results, which will be shared in an aggregate format to protect respondents' identity, will inform the ongoing values, ethics, and leadership efforts already underway at the university and help identify which of those efforts should be elevated as best practices. The results may also suggest new areas for engagement on ethics and values.

Compliance and Integrity Program

3. CONFLICTS OF INTEREST

a. Overall Management of Conflicts of Interest Requirements

Background: University employees are subject to various conflicts of interest provisions under federal regulations, state law, and university policy. Most conflicts issues fall into one of four different categories:
- Ohio Ethics Law conflicts (state law and university policy);
- Research conflicts (federal regulations and university policy);
- Technology commercialization conflicts (state law and university rules); and
- Open Payments conflicts (federal Centers for Medicare & Medicaid Services).

Actual or perceived conflicts of interest can result in regulatory actions, individual liability, and reputational harm, as seen in recent headlines:
- **Memorial Sloan Kettering:** The New York Times and ProPublica reported that Dr. José Baselga, Physician-in-Chief and Chief Medical Officer at Memorial Sloan Kettering (MSK), failed to disclose millions of dollars in payments from drug and health care companies in dozens of research articles he authored in medical journals. Since he started at MSK in 2013, Dr. Baselga has had fiduciary or advisory board positions and consulted with dozens of established and startup companies involved with cancer treatments. In the middle of that controversy, The New York Times and ProPublica also reported on the financial ties that MSK senior leaders and board members have to a new MSK startup, which raised further questions about transparency and potential conflicts of interest based on the commercialization of notes and patient tissue slides that MSK gathered over decades.
- **MD Anderson Cancer Center:** The National Institutes of Health (NIH) issued a letter to universities regarding the risk of inappropriate foreign influences on research. This includes the risk of failure by researchers to disclose substantial resources from foreign entities in grant applications. The University of Texas MD Anderson Cancer Center terminated several faculty members who violated these rules or university policies regarding foreign ties.
- **Georgia Tech.** Georgia Tech's Executive Vice President for Administration and Finance resigned after an investigation found that he held a financial and fiduciary interest in a public company with which the university spent $1.32 million over three years.

Summary of Current Mitigation Efforts: To satisfy the legal and policy requirements surrounding conflicts of interest, we are focused on improving disclosure processes, sharing expertise and information, and expanding training.

Disclosure Process Administration: A combined electronic Conflicts of Interest (e-COI) disclosure process continues to be implemented jointly by the Office of Research Compliance, the Wexner Medical Center's Office of Compliance Coordination, and the Office of University Compliance and Integrity (OUCI). Process improvements include:
- Provided system access to unit and college senior fiscal officers to help them drive disclosure completion rates and assist in addressing conflicts locally.
- Added a question regarding whether an individual is involved in matters between the university and a disclosed company, which will make reviews of disclosures more efficient.
- Created new review mechanism through the Office of Academic Affairs to better document accountability for individuals with approval authority in the e-COI system.

Shared Expertise and Information: The Conflicts of Interest Advisory Group reviews potential faculty conflicts and approves conflict management plans. The Conflict of Interest Working Group facilitates coordination and

cooperation across the various offices with responsibility for addressing conflicts. Additionally, OUCI developed a new tracking process to better resolve issues that arise.

Expanded Training: OUCI focused on diversifying content of ethics education and broadening its reach across campus. We produced a 5-minute video on conflicts of interest and increased the number of in-person trainings provided to faculty and staff, as reflected in the metrics below.

Status Metrics:
Ethics Training:
- FY19: **22** in-person sessions including **896** key staff members (Total FY15-FY19: 82 sessions/3,059 staff)

e-COI Completion Rates to date:
- Total Disclosures: (24,807/26,485) **94%**
- Senior Leaders (President's Cabinet and Council of Deans): (35/35) **100%**
- OUCI (financial or fiduciary roles identified by colleges and units): (3,589/3,878) **93%**
- OSUWMC (financial or fiduciary roles and research responsibilities): (7,905/8,090) **98%**
- Office of Research Compliance (all research responsibilities): (13,278/14,485) **92%**
- 2018 Disclosure Review:
  - **398** potential significant financial interests identified for review by Research Compliance
  - **424** disclosures identified for review by OUCI
  - **284** Physician disclosures identified for review by Medical Center Compliance
  - **134** staff disclosures identified for review by Medical Center Compliance

Control Findings: In September 2018, the Department of Internal Audit conducted a comprehensive audit of OUCI's conflict of interest disclosure process. Issues assessed included: (1) the control and management of the electronic disclosure process; (2) tracking and follow-up on late submissions; and (3) review and remediation of reported conflicts. Internal Audit found that OUCI's conflict of interest disclosure process generally complies with policies and control activities.

b. Board Member and Senior Leader Ethics Management

Overview: The Ohio Ethics Law prohibits public officials and employees from misusing their positions for personal gain or to benefit their family members or business associates. Ethical violations by a Board member or senior leader could result in individual criminal liability, termination of university contracts, and reputational harm to the university. The Board Office, Office of Legal Affairs, Office of Academic Affairs, and OUCI work together to mitigate these risks.

Current Efforts: To satisfy the legal and policy requirements surrounding Board and senior leader ethics, we are focused on protocol standardization, increased education, and tailored guidance.

Protocol Standardization: OUCI assisted the Office of Legal Affairs and the Board Office in standardizing processes to effectuate the Board's Statement of Ethical Conduct and Leadership Integrity, which includes the following services and actions:

Compliance and Integrity Program

Service/ Action	Timing	Summary	Status/Comments
Candidate Screening	Prior to appointment	OLA will pre-screen Board candidates for possible ethics or conflicts issues based on publicly available information prior to appointment	Ongoing
One-on-One Education	At appointment	General Counsel will invite all Board members to one-on-one education session upon appointment; training to cover Ethics Law and Board ethics policy	Ongoing
Ethics/COI Consulting	Ongoing basis	OLA will assist Board members in recognizing and responding to potential conflicts as requested	Ongoing
COI Management Plan	Ongoing basis	When requested, the General Counsel will define a management plan to assist a Board member in addressing a potential conflict	Ongoing
Distribute Ohio Ethics Commission Guidance	Annually	Board Office will provide Board members with the Ohio Ethics Commission's summary of the Ethics Law, which focuses on trustees	March
Repository of relevant ethics documents	Ongoing basis	Board Office will create and maintain a repository of relevant ethics documents that Board members can access anytime online	Ongoing
Provision of Vendor List	Ongoing basis	The Board Office will provide Board members with the university's vendor list upon request	Ongoing
Agenda Review	Prior to each Board meeting	Board Office, OLA, and Compliance will review meeting agendas to identify items that may pose potential conflicts for individual Board members; Board Office will consult with OLA and Board members as appropriate	Ongoing
Provision of List of Interests	Form provided annually; can be updated at any time	Secretary of the Board will circulate a form on which Board members may list any entity in which they have an interest; members are encouraged to update the list as new interests arise; General Counsel will provide legal advice based on disclosures	May
Annual Ethics Education	Annually	Online training session on the Ohio Ethics Law and Board ethics policy	May
Certify Financial Disclosure Filings	Annually	Board Office will remind Trustees of Ohio Ethics Commission financial disclosure requirements, pay for filing fees, and confirm with each Trustee that financial disclosures were properly filed	May
Exit Meeting	When Board member retires	General Counsel will offer to review ongoing ethical obligations of Board members and offer ongoing support in interpretation of those obligations	Ongoing

OUCI works with Purchasing, Research, Corporate Engagement, Planning and Real Estate, Investments, and Risk Management to standardize screening processes. Given the size and complexity of the university, small-dollar purchases are difficult to prevent, particularly if they occur through purchasing card (PCard) transactions where pre-approval from Purchasing is not required. Moreover, a service agreement sometimes requires a complicated analysis to determine whether it constitutes a public contract as defined by the Ohio Ethics Law. In response to these complexities, OUCI provided specialized Ethics training to the Office of Sponsored Programs to ensure employees are able to identify potential conflicts for further review.

Ethics Education: The university provides three options for Board members to fulfill their annual ethics training requirement, including:
- An in-person Ethics training held during the Board's Governance Committee meeting;
- A one-on-one meeting with Legal Affairs or OUCI; or
- A one-hour online training through the Ohio Ethics Commission's website.

Compliance and Integrity Program

Individualized Guidance: The Board Office, Office of Legal Affairs, Office of Academic Affairs, and OUCI have worked to provide timely, solutions-oriented ethics guidance to Board members and senior leaders.

2018 Status Metrics:

- **100%** 2018 Senior Leaders (President's Cabinet and Council of Deans) e-COI Completion Rate: (35/35)
- **18** Board member consultations/questions resolved by Legal Affairs and OUCI
- **16** potential problems flagged and resolved for Board members by the Statement of Ethical Conduct and Leadership Integrity Screening Process
- **13** Board members attended in-person Ethics training (members unable to attend were provided training materials and had the option of choosing one-on-one training or online training)
- **5** Trustee Financial Disclosure Statements reviewed for Ohio Ethics Commission filings by Legal Affairs and OUCI

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May 2019 Board Meeting - Audit & Compliance Committee

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Compliance and Integrity Program

4. RESOLUTION AGREEMENT WITH OFFICE FOR CIVIL RIGHTS (OCR) [TITLE IX]

All requirements of the Resolution Agreement have been met, and OCR confirmed orally that Ohio State has no outstanding items under our Resolution Agreement; the university awaits final written confirmation.

Activity	Steps	Status				
		2014-15	2015-16	2016-17	2017-18	
Title IX Coordinator	✓ Published detailed statement outlining the roles and responsibilities of Ohio State's Title IX Coordinator (11/15/14)	Complete	Complete	Complete	Complete	• All requirements met.
Document Maintenance	✓ Created a coordinated document management process for all Title IX complaints (12/15/14)	Complete	Complete	Complete	Complete	• All requirements met.
Policies	✓ Revised Notice of Nondiscrimination and post online as appropriate (10/15/14) ✓ Revised "Reporting Sexual Assault" link on Campus Police website (10/15/14) ✓ Reviewed and revised all sexual harassment policies for consistency (10/15/14) ✓ Sexual Misconduct policy taken from interim to final status (effective 8/23/16 per President's Cabinet). Revised the Code of Student Conduct consistent with the revised Sexual Misconduct policy, BOT approved 4/8/16 ✓ Submitted evidence of policy communications in nineteenth progress report (10/15/16) ✓ Submitted annual information on complaints during academic year to OCR (6/10/16) ✓ Submitted annual information on complaints during academic year to OCR (6/15/17)	Complete	Complete	On Track	On Track	• Submitted revised Code of Student Conduct and final Sexual Misconduct policy to OCR in 8/5/16 status report. Submitted proof of how updated policy was communicated to Ohio State community in 10/15/16 status report. • Submitted information on AY 2015-2016 complaints to OCR in 6/10/16 status report; appropriately implemented per OCR 12/19/18. • Submitted information on AY 2016-2017 complaints to OCR in 6/15/17 status report; **awaiting OCR feedback.**
Training	✓ Reviewed Student Wellness Center programming to ensure consistency with Resolution Agreement standards (12/15/14) ✓ Developed Title IX Coordinator and investigator training (12/15/14) ✓ Identified Title IX training module for employees (12/15/14) ✓ Reviewed and revised orientation program and materials for incoming students (12/15/14) ✓ Verified annual Title IX training conducted during previous calendar year (6/10/16) ✓ Provide training to specific groups identified in climate survey (annual)	Complete	Complete	Complete	Complete	• Training for 2016-17 and 2017-18 submitted and approved by OCR in 12/19/18 response. • Notified OCR of online training for AY 2018-19

Compliance and Integrity Program

Activity	Steps	Status				
		2014-15	2015-16	2016-17	2017-18	
Climate Assessment and Response	✓ Added OHR representative to Sexual Violence Consultation Team (1/15/15) ✓ Established campus working group on Title IX and climate survey (9/30/14) ✓ Reviewed last 2 years of sexual harassment complaints (12/15/14) ✓ Developed recommended actions as appropriate based on review (12/15/14) ✓ Developed and conducted annual climate survey (3/23-4/22/16) ✓ Developed and conducted annual climate survey (2/5-3/10/17) ✓ Analyze survey results to identify need for additional actions and training as appropriate (annual)	Complete	Complete	Complete	Complete	• Submitted results of AY15-16 climate survey and written recommendations based on results in 1/15/17 status report. • Developed/disseminated AY16-17 climate survey. As noted in 1/15/17 report, written recommendations submitted before January 2018. • Submitted proof of AY16-17 climate survey dissemination in 6/15/2017 status report. • Results of the AY16-17 climate survey and recommendations sent to OCR in 1/31/18 status report.
Student-Focused Remedies	✓ Reviewed last 3 years of sexual harassment complaints for prompt and equitable investigation (1/15/15) ✓ Take appropriate action to address identified problems (within 30 days of OCR approval)	Complete	Complete	N/A	N/A	• Reported findings to OCR in 2/27/15 status report and 9/15/15 addendum; submitted documentation of identified "process improvements" to address issues in the addendum in 8/5/16 status report. Approved by OCR in their response on 4/14/17.
Marching Band Investigation	✓ Developed timetable for corrective actions (11/1/14) ✓ Submit quarterly progress report to OCR (beginning 10/15/14)	Complete	Complete	Complete	On Track	• Continuing implementation. • 6/15/2017 status report included documentation addressing ongoing climate surveys with respect to the marching band; appropriately implemented to date per OCR 12/19/18

Department of Internal Audit
Quality Assurance and Improvement Program

OSU Board of Trustees

Audit and Compliance Committee Meeting

May 30, 2019

What is a Quality Assurance and Improvement Program?

As defined by the *Institute of Internal Auditors*:

- Incorporates both internal and external assessments of the Department.

- External Assessments are required every five years – last received in 2015; our next external assessment will be in 2020.

- Internal Assessments are required annually when not undergoing an external assessment.

External Quality Assurance Review Results from 2015

The external validators confirmed that the Department generally conforms to the Institute of Internal Auditors (IIA) – *International Standards for the Professional Practice of Internal Auditing*

The external validators recommended:

- In lieu of direct reporting to the Audit and Compliance Committee, Director should confirm with the Audit and Compliance Committee the Department's independence annually.

- Communicate the results of the Quality Assurance and Improvement Program periodically.

Departmental Independence

To maintain independent stature, the Department of Internal Audit currently:

- Reports functionally to the Audit and Compliance Committee and University President; and

- Reports administratively to the Senior Vice President for Business and Finance.

- Has no direct operational responsibility or authority over any activities audited.

Quality Assurance and Improvement Program

Internal Assessments – On-going Monitoring:

- Monitoring Audits – progress is tracked for each project by project phase and assigned auditor, all audit workpapers are reviewed by the Associate Director and Director, review notes are provided to assist in strengthening performance for future audits, all audit reports and related communications are reviewed by the Associate Director and Director before issuance.

- Performance Metrics – auditor productivity, project management, and work quality is monitored for each auditor.

- Professional Development and Training – each auditor receives approximately 40 hours of continuing professional development annually.

- Feedback – each staff member receives coaching and feedback, written review notes are provided for each audit project, customer feedback is obtained at the end of each audit engagement.

Quality Assurance and Improvement Program

Internal Assessments – On-going Monitoring:

- Audit Plan – developed based on a prioritization of the audit universe using a risk-based methodology, including input from the Audit and Compliance Committee Chair and senior management. The plan will be presented and agreed upon by the Audit and Compliance Committee at the May 30, 2019 Audit and Compliance Committee meeting.

- Follow-up – disposition of audit recommendations are followed up and reported on until resolved.

Quality Assurance and Improvement Program

Periodic Self-Assessments:

- Annual Governance Review – Internal Audit Charter and Audit and Compliance Committee Guidelines are reviewed annually and updated as needed. Last updated January 2015; no update necessary to Internal Audit Charter at this time.

- Annual Workpaper Review – sample of audit workpapers are reviewed by Internal Audit management to make sure work is performed in accordance with departmental practices and *IIA Standards*.

- Audit Staff Review – job descriptions for each audit position have been reviewed and are appropriate. Formal performance feedback is performed for each staff member three times/year.

- Audit Management Review – Senior VP for Business and Finance consults with Audit and Compliance Committee Chair, University President, and General Counsel for input into Director's performance evaluation.

- Audit Process/Scope Review – reviewed and modified as necessary.

Results of Quality Assurance and Improvement Program

1. Confirmation that Department of Internal Audit is independent.
2. Confirmation that our work is performed in accordance with *IIA Standards*.
3. Internal Audit Charter is appropriate and Audit and Compliance Committee Guidelines are appropriate related to internal audit activities.
4. Continuous Improvement - We continue to refine audit processes and staff productivity.

THE OHIO STATE UNIVERSITY

AUDIT AND COMPLIANCE COMMITTEE	2015-16	2016-17	2017-18	Current Status
A. Strategic Risk Mitigation Effectiveness				
1. **Education** (risks related to decrease in academic standing; harm in ability to attract faculty/students)	↔	↑	↔	↔
2. **Scholarship** (challenges to ability to perform significant academic or scientific research)	↓	↑	↔	↔
3. **Information Technology** (inability to store, develop, transmit, or protect data)	↔	↔	↑	↔
4. **Student Life** (inability to maintain an environment conducive to student life)	↔	↔	↔	↔
5. **Athletics** (risk of disruption to Athletics operations, including significant NCAA violation)	↔	↔	↑	↔
6. **Medical** (significant reduction in performance of the health system and related colleges)	↑	↔	↑	↔
7. **Financial** (inability to reach capital, revenue, or cost containment objectives)	↔	↔	↔	↔
8. **Physical Environment** (loss of infrastructure; major event impacting ongoing operations, including campus safety)	↔	↔	↑	↑
9. **Government, Community and Affiliates** (failure to monitor and develop government, community, or affiliate relationships)	↓	↑	↓	↔
10. **Talent and Culture** (failure to attract, develop, or retain talent)	↔	↔	↔	↔
11. **Advancement** (events impacting Ohio State brand, alumni relationships, or advancement objectives)	↓	↔	↑	↑
12. **Compliance** (failure to meet regulatory, legal, or policy requirements not captured in above categories)	↔	↑	↑	↔

	2014-15	2015-16	2016-17	2017-18	2018-19 [1]
B. Public Records [2]					
1. Number of records requests closed (3-year average: 899)	769	842	964	890	1166
2. Average days to fill all records requests	21	15	16	20.7	22.8
C. Internal Investigations (rated 4 or 5)					
1. Number of investigations opened in the fiscal year	20	17	17	26	6
2. Number of investigations closed in the fiscal year	16	19	15	21	5
3. Percent of closed investigations with findings	31%	52%	27%	21%	15%
D. Regulatory Actions [3] (rated 4 or 5)					
1. Number of current regulatory actions	7	10	12	11	14
E. Internal Audit					
1. Number of audits cleared at second follow-up during the fiscal year		11	10	10	7
2. Number of audits open after second follow-up or cleared at third follow-up or later during the fiscal year		2	4	8	21

COMMENTS & FOOTNOTES

[1] Includes data from 7/1/18 through 5/1/19

[2] Processed by Public Records Office only

[3] Includes audits, fines, probations, sanctions, warnings, or other similar actions

Mitigation Effectiveness Rating

■ Meets or Exceeds Goal
■
■ Caution
■
■ Below Goal - Action Needed

Trend

↑ Environment/Performance Improving
↔ No Significant Change/On Track
↓ Environment/Performance Worsening