



BOARD OF REGENTS FOR THE OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGES

Charter for the Audit, Risk Management and Compliance Review Committee

I. Background

Title 70 Oklahoma Statutes § 3909 requires the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (Board), the governing board for Oklahoma State University, Connors State College, Langston University, Northeastern Oklahoma Agricultural & Mechanical College, and Oklahoma Panhandle State University (Institutions), to establish and maintain an Audit Committee of the Board of not less than three members.

II. Purpose and Authority

The purpose of the Audit, Risk Management and Compliance Review Committee (Committee) is to assist the Board in overseeing:

- the quality and integrity of the accounting and financial reporting practices;
- the integrity of the financial statements of the Institutions governed by the Board, including the financial statements of related component unit entities;
- the adequacy of the internal control environment and its continuous improvement;
- the Institutions' compliance with legal, regulatory, and other external compliance requirements, including *OMB Circular A-133*;
- the internal auditing function;
- any independent auditor whom the Committee may employ;
- the adequacy of risk management processes; and
- compliance with Institutional and Board Policies.

The Committee's principal responsibility is one of oversight. Management is responsible for determining that the financial statements of the Institutions are complete, accurate, and prepared in accordance with generally accepted accounting principles (GAAP), and the independent auditor is responsible for auditing those financial statements and expressing an opinion.

The Committee will facilitate free and open communication between the Board, Chief Audit Executive (CAE), General Counsel, any independent auditor, and financial and senior management of the Institutions.



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The Committee will have authority to obtain resources in order to discharge its responsibilities as required by applicable statutes, this Charter, and Board Policies. This authority includes retaining independent legal, accounting, or other advisor services, as it deems necessary.

III. Membership and Meetings

A. Membership

The Committee shall consist of three voting members selected by the Chairman of the Board and two non-voting, ex-officio members — the Chairman of the Board and the Chief Executive Officer of the Board (CEO), as provided by *Board Rule 30:1-1-7*.

The Committee members will be provided continuing education opportunities in financial reporting and other relevant areas, if needed. The CAE will serve as an advisor to the Committee.

All members of the Committee shall be independent of the Institutions' management, the independent auditor, and vendors. If overlapping financial interests or personal relationships exist, they must be fully disclosed, and the Committee member must be recused from discussions and voting on related matters.

B. Meetings

The Committee will generally meet quarterly but may meet more frequently as circumstances require. The CEO will assist the Chairman of the Committee in fulfilling the duties of the Committee. The Committee will report, on an as needed basis, to the Board.

IV. Responsibilities

A. Independent Auditor

In overseeing the annual external audit of the Institutions' annual financial statements, the Committee is authorized to:

1. Appoint, retain, compensate, and oversee the work performed by the independent auditor for the purpose of preparing or issuing an audit report or related deliverable. Review the performance and independence of the independent auditor and remove the independent auditor if circumstances warrant. The independent auditor shall report to the Committee and the Board as necessary.
2. Oversee the resolution of disagreements between management and the independent auditor if they arise.



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3. Annually obtain and review from the independent auditor a written description of all relationships between the independent auditor or its affiliates and the Institutions or persons in financial reporting oversight roles at the Institutions, to ensure independence.
4. Annually obtain and review a report from the independent auditor regarding (a) the independent auditor's internal quality control procedures; (b) any material issues raised by the most recent internal quality control review, peer review, or Public Company Accounting Oversight Board review of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years concerning one or more independent audits carried out by the firm; and (c) any steps taken to deal with any such issues.
5. Annually review and evaluate the engagement of the independent auditor.
6. Ensure the rotation of the independent audit team as required by statute.
7. Pre-approve all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Institutions by the independent auditor. The Board, upon recommendation by the Committee, will retain the independent auditor by formal engagement letters.
8. Consider whether the independent auditor's provision of permissible non-audit services is compatible with their independence. Actively engage in dialogue with the independent auditor with respect to any disclosed non-audit services that may affect the independence and objectivity of the independent auditor and take appropriate actions.

B. Financial Reporting

In carrying out its responsibilities to oversee the Institutions' financial reporting, the Committee is authorized to:

1. Meet with any independent auditor and financial management of the Institutions to review the scope and timing of each audit engagement.
2. Discuss with the independent auditor the matters required to be communicated to the Committee by applicable Generally Accepted Auditing Standards (GAAS) and Generally Accepted Government Auditing Standards (GAGAS) relating to the conduct of the audit and significant audit procedures.
3. Review and discuss with the independent auditor any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.



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4. Review and discuss with management and the independent auditor (a) significant financial reporting issues and judgments made in connection with the preparation of the Institutions' financial statements, including the effects of alternative GAAP methods on the financial statements; (b) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Institutions' selection or application of accounting principles; (c) material issues on which the audit team consulted the independent auditor's national office, if applicable; (d) accounting adjustments that were noted or proposed by the independent auditor but were "passed" (as immaterial or otherwise); and (e) any management or internal control letter issued, or proposed to be issued, by the independent auditor to the Institutions.
5. Obtain assurance from the independent auditor that, in the course of conducting the audit, no illegal acts were detected or otherwise came to the independent auditor's attention that require disclosure to the Committee. Advise the independent auditor of any violations or possible violations of laws or regulations and other matters relevant to the audit of which the Committee is aware.
6. Discuss with management and the independent auditor any major issues as to (a) the adequacy of the Institutions' internal controls (including information technology security and controls); (b) internal controls over financial reporting and any special audit steps adopted in light of any material control deficiencies; and (c) the adequacy of disclosures about changes in internal control over financial reporting.
7. Review and discuss with management, as deemed necessary, the quarterly financial information of the various reporting units comprising the Institutions' quarterly financial statements, including component units.
8. Discuss with management the Institutions' major financial risk exposures and the steps management has taken to monitor and control those exposures.
9. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives on the Institutions' financial statements.

C. Internal Audit

In carrying out its responsibilities to oversee the internal audit function, the Committee is authorized to do the following and make appropriate recommendations regarding the same to the Board:

1. Review the Internal Audit Charter for approval to the Board.



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2. Recommend the appointment, termination, and compensation of the Chief Audit Executive (CAE).
3. On a periodic, and preferably annual basis, participate with the full Board and the CEO to review the performance of the CAE.
4. Review and approve the annual audit plan, all significant changes to the plan, and the Office of Internal Audit's performance relative to the plan.
5. Review the effectiveness of the internal audit function, including staffing, budget, resources, training, activities, independence, and organizational structure.
6. Periodically review any significant difficulties or scope restrictions encountered by the Office of Internal Audit.
7. Review and monitor (a) the procedures for the receipt, retention, and treatment of complaints received by the Institutions regarding accounting, internal accounting controls, or auditing matters; (b) the results of such investigations referred to the CAE; (c) any confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters; and (d) any other complaints received by or referred to the CAE.
8. In connection with the required Quality Assurance Review, review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' Definition of Internal Auditing, Code of Ethics, and *International Standards for Professional Practice of Internal Auditing*.
9. Consult privately with the CAE when needed.

D. Risk Management

As it pertains to risk management, the Committee's responsibilities are broadly defined. The Committee, with assistance of the Office of Legal Counsel (as provided by *Board Policy 1.02*) and/or the Office of Internal Audit, is authorized to:

1. Assist the Board in fulfilling its oversight responsibilities with regard to major risks of the Institutions.
2. Provide assurance to the Board that major risks are being identified, investigated, and managed at the Institutions through formal risk management programs.
3. Ensure that major risks are being aggregated at the Institutional level and review the



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steps management from the Institutions has taken with respect to these risks.

4. Evaluate Institutional risk exposure and risk tolerance.
5. In accordance with the annual system-wide risk assessment and the annual Internal Audit Plan, initiate audits and compliance activities as deemed necessary to ensure appropriate risk management and control processes within the Institutions.
6. Review reports pertaining to major risks and the effectiveness of the Institutions' risk management activities.
7. Inform the Board of major risks and other significant risk management issues.

E. Legal, Regulatory, and Other Compliance Matters

In connection with its oversight of legal, regulatory, and other compliance matters affecting the Institutions, the Committee is authorized to:

1. Obtain reports from the Office of Legal Counsel, the Office of Internal Audit, management, and the independent auditor regarding compliance with applicable laws and regulations.
2. Discuss with the Office of Legal Counsel and the Office of Internal Audit any legal, compliance, or regulatory issues that could have a material effect on the Institutions' financial statements or compliance policies or pose significant risk to the Board or its Institutions.
3. Review with management and the Office of Legal Counsel the process for communicating the Institutional and Board Policies to Institutional personnel and the process for monitoring compliance.
4. Review with management, the Office of Legal Counsel, the Office of Internal Audit, and the independent auditor any published reports and correspondence with regulators or governmental agencies which raise material issues regarding the Institutions' financial statements or institutional or legal risk.
5. Review and monitor (a) procedures for the receipt, retention, and treatment of complaints received by the Institutions; (b) the results of investigations referred to or conducted by the Office of Legal Counsel pursuant to Board Policy 1.02; (c) any confidential, anonymous submissions by individuals of complaints or concerns to the Office of Legal Counsel; and (d) any other complaints received by or referred to the Office of Legal Counsel.



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6. Oversee investigations into material matters brought to the Committee's attention within the scope of its duties.
7. Be informed by the Office of Legal Counsel of matters which may pose significant risk to the Board or its Institutions.

V. Review of Charter

The Committee will periodically review, assess, and, if necessary, update this Charter.

Approved this 24th day of April, 2015.



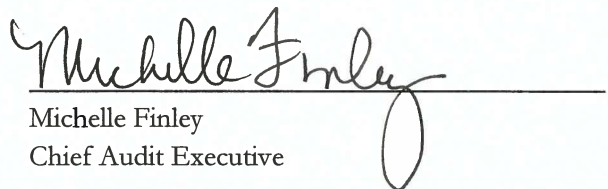
Rick Davis
Chair of the Board of Regents for the Oklahoma
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