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# State Funds

## AUDIT REPORT

Oklahoma State University

*March 2025*



### OFFICE OF INTERNAL AUDIT

OKLAHOMA AGRICULTURAL AND MECHANICAL COLLEGES  
BOARD OF REGENTS

301 Whitehurst, Stillwater, OK 74078

## Executive Summary

### Conclusion

There were significant issues in the allocation and management of legislatively appropriated funds at Oklahoma State University (OSU). These funds were provided by the Oklahoma Legislature to the Oklahoma State University Medical Authority (OSUMA) for educational and research activities at OSU. OSUMA provided these appropriated funds to OSU under Cooperative Agreements between OSUMA and the Oklahoma Agricultural and Mechanical Colleges Board of Regents (OSU/A&M Board or Board). The Cooperative Agreements outlined certain restricted purposes for the funds.

A total of \$41 million in legislatively appropriated funds received from July 1, 2022, through January 15, 2025, were not properly restricted and in some instances were co-mingled with other funds, leading to expenditures that were not aligned with the restricted purposes. This improper handling of funds also included unauthorized transfers to the Innovation Foundation at Oklahoma State University, Inc. (Innovation Foundation, Inc.)<sup>1</sup> and expenditures on unrelated purposes. Such actions in some cases violated state laws and policies, thereby posing financial and reputational risks to the institution. Further details are provided in the following report.

This report also outlines corrective actions that promote transparency and accountability. These actions include the establishment of restricted funds within OSU's general ledger, reimbursement of misallocated funds, and strict adherence to state law, OSU Policies and Procedures, Oklahoma State Regents for Higher Education (OSRHE) Policies and OSU/A&M Board Policies.

To maintain compliance, it is essential for OSU to ensure that all future appropriations are accurately accounted for and spent according to their restricted purposes. OSU must enhance its financial oversight and improve transparency to those in governance, thereby strengthening its stewardship of public funds.

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<sup>1</sup> The **Innovation Foundation, Inc.** (IF) includes activities of the separate legal entity including management of the Innovation Park, IF corporate activities (e.g. organizing IF Board meetings), management of grants directly awarded to IF, and activities of IF's subsidiaries including Cowboy Technologies, LLC. IF financial activities are recorded in a separate foundation general ledger. IF, a research foundation, was formerly the Oklahoma State University Research Foundation (OSURF). This rebranding was initiated by OSU executive leadership in 2023.

**OSU** activities on OSU's general ledger, include but are not limited to, OSU units or departments including the One Health Lab, App Center, Shared Services, Student Farm, Office of Technology Commercialization, Oklahoma Aerospace Institute of Research and Education, Human Performance Nutrition Research Institute, and Hamm Institute of American Energy.

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Summary of Audit Results		
Issue	Risk Level	Management’s Corrective Action Implementation Date
OSU Did Not Properly Account for Certain Appropriations	<b>High</b>	March 15, 2025 – June 30, 2025
OSU Transferred Restricted Appropriated Funds Intended for OSU to the Innovation Foundation, Inc.	<b>High</b>	April 1, 2025 – June 30, 2025
Innovation Foundation, Inc. Lacks Independent Funding	<b>High</b>	April 1, 2025 – June 30, 2025
\$55.5 M in Appropriated Funds Not Fully Included in OSU Budget	<b>High</b>	May 31, 2025 - June 30, 2025
Simultaneous Executive Role Assignments Created Conflict of Interest Concerns	<b>High</b>	April 30, 2025 - June 30, 2025
Inappropriate Use of OSU’s Education & General (E&G) Funds	<b>High</b>	June 30, 2025 – August 31, 2025

## Audit Objective and Scope

**Objectives:**

1. Assess OSU’s compliance with the restrictions and requirements outlined in the Cooperative Agreements between the OSU/A&M Board and OSUMA for the fiscal years 2023 to 2025.
2. Evaluate the appropriateness of the accounting and allocation of legislatively appropriated funds and assess if they were utilized for their intended purposes.
3. Determine the adequacy of financial management, including verifying proper authorization of transfers, ensuring restrictions are followed and expenditures are provided for related purposes only.
4. Review financial oversight and compliance with state laws, as well as GASB, NACUBO, OSU, Board and OSRHE policies.

**Scope:**

1. The scope of the audit was limited to certain Cooperative Agreements totaling \$55.5M for fiscal years 2023 to 2025 to understand the specific restrictions and intended uses of the appropriated funds, and did not include all legislative appropriations.
2. Examined financial records, including general ledger entries, transfer documents, and a limited sample of expenditures, to trace the flow and usage of the \$41M of the \$55.5M

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in appropriated funds that had been transferred from OSUMA to OSU from July 1, 2022, through January 15, 2025.

3. Analyzed the processes and controls in place for managing restricted funds, including the establishment of restricted accounts and adherence to state law, OSRHE policies, OSU A&M Board policies, GASB and NACUBO.
4. Conducted discussions with individuals including, but not limited to, the following individuals:
  - OSU A&M Board Chief Executive Officer
  - OSU/A&M Board Director of Public Policy
  - OSU/A&M Board Deputy Director of Public Policy
  - OSU/A&M Board General Counsel
  - OSU/A&M Board Deputy General Counsel and OSU Chief Legal Officer
  - OSU/A&M Board Assistant General Counsel
  - OSU Chief of Staff
  - OSUMA Chief Executive Officer, OSU Interim Senior Vice President for Administration and Finance, OSU-CHS Vice President for Administration and Finance
  - Innovation Foundation Chief Executive Officer and President
  - Innovation Foundation Director of Finance
  - OSU Associate Vice President for Administration and Finance
  - OSU Director of Budget
  - OSU Controller
  - OSU's External Audit Principal
  - Executive Director of Oklahoma Aerospace Institute for Research and Education
5. Noted discrepancies or non-compliance issues and considered their potential impact on OSU's financial integrity and reputation.

## Detailed Audit Results

### 1. OSU Did Not Properly Account for Certain Appropriations

**OSU did not properly account for \$41M in appropriations provided by the Legislature according to the restrictions in the Cooperative Agreements between the OSU/A&M Board and OSUMA.**

#### **Condition**

A total of **\$41M** in legislatively appropriated funds received during FY2023-FY2025 was deposited into unrestricted funds and/or capital funds not restricted for the designated purpose, despite the spending restrictions imposed by the Cooperative Agreements (*financial transactions as of January 15, 2025*).

In summary, the legislatively appropriated funds were<sup>2</sup>:

- transferred to the Innovation Foundation, Inc. (**\$11.5M** of the \$41M) without a written contract approved by the OSU/A&M Board as required by *70 O.S. §4306(C), Article 10, Section 15 Oklahoma Constitution, and Board Policy 1.12.*
- co-mingled with other funds (**\$20.5M** of the \$41M) prohibited by *OSU Policy 3-0201, GASB 34, paragraph 6 & 75, GASB 46 and NACUBO Financial Accounting and Reporting Manual for Higher Education 205.42.*
- deposited into unrestricted auxiliary funds rather than restricted E&G funds, which does not appear to be permissible under *70 O.S. §3901, NACUBO Form 363, and OSRHE Red Book 4.3.3.* (**\$24M** of the \$41M)
- deposited into restricted capital funds; however, they were not specified for the restricted purposes (**\$4M** of the \$41M) *OSU Policy 3-0201 – 1.01 and 7.03, GASB 34, p. 6 & 75, GASB 46 and NACUBO 205.42.*

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<sup>2</sup> The amounts outlined in the bullets are not mutually exclusive. For example, some funds may have been transferred to the Innovation Foundation and also co-mingled with other funds.

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## Disposition of Legislatively Appropriated Funds as January 15, 2025

**Deposit of OSUMA Restricted Appropriations specified for OSU by Fiscal Year**

Legislative Appropriations per Cooperative Agreements Total FY23 - 25	Actual Deposit made to	Fund Name	Restricted Appropriations Deposited in Separate Fund and not Commingled	Legislative Appropriations Deposited in OSU Restricted E&G Funds as Required	Board Approved Transfer or Use of Appropriated Funds to for a Foundation	2023	2024	2025 to Jan 15, 2025	Grand Total Deposited
Cooperative Agreement requires transfer to OSU for OAIRE \$10M	Innovation Foundation, Inc.	HPNRI Human Performance	Non-compliant	Non-compliant	Non-compliant		500,000	4,377,792	4,877,792
		Innovation Foundation	Non-compliant	Non-compliant	Non-compliant			1,141,514	1,141,514
		OAIRE OK Aerospace Institute	Non-compliant	Non-compliant	Non-compliant		3,500,000	1,690,087	5,190,087
		Mike Morgan Building	Non-compliant	Non-compliant	Non-compliant			290,607	290,607
	OSU- STW	Innovation Foundation	Non-compliant	Non-compliant	Non-compliant		1,000,000		1,000,000
<b>Total Innovation Foundation, Inc.</b>									<b>11,500,000</b>
<b>Total OAIRE OSUMA Funds Provided</b>									<b>12,500,000</b>
Cooperative Agreement requires transfer to OSU for Polytech \$20M	OSU - Tulsa	Advanced Technology	Yes	Non-compliant	n/a	10,000,000	5,000,000	1,500,000	16,500,000
<b>Total Polytech</b>									<b>16,500,000</b>
Cooperative Agreement requires transfer to OSU for Academic Research \$15M	OSU-CHS	CHS Research Facilities	Yes	Restricted for Capital	n/a	4,000,000			4,000,000
	OSU-CHS	HC Innovation Cntr	Non-compliant	Non-compliant	n/a		5,000,000	1,500,000	6,500,000
	OSU-CHS	Strategic Initiatives	Non-compliant		n/a	1,000,000			1,000,000
<b>Total Academic Research</b>									<b>11,500,000</b>
Cooperative Agreement requires transfer to OSU for Nursing \$500k	OSU-STW	Nursing Program	Non-compliant	Non-compliant	n/a	352,970			352,970
	OSU-STW	VP Excellence Fund	Non-compliant	Non-compliant	n/a	100,000			100,000
<b>Total Nursing</b>									<b>452,970</b>
<b>Grand Total</b>						<b>15,452,970</b>	<b>15,000,000</b>	<b>10,500,000</b>	<b>40,952,970</b>

<b>HPNRI \$10M</b>	<i>No transfers with invoice detail related to HPRNI. However, OAIRE transfers of \$12.5M exceed the OAIRE appropriated total of \$10M.</i>
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\*While the title of the fund indicates OAIRE, these appropriated funds were transferred to the Innovation Foundation, Inc. without contract and Board of Regents approval, were co-mingled with other funds, deposited into unrestricted funds and in some instances spent for purposes unrelated to the restrictions in the Cooperative Agreements.

### Criteria

#### Cooperative Agreements (FY2023 – FY2025)

Pursuant to 63 O.S. § 3276(5), a Cooperative Agreement was signed, by the Chair of the OSU/A&M Board of Regents and the CEO of OSUMA (who is also in executive leadership at OSU and OSU-CHS),

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for each year appropriations were received. (*Copies of the agreements are provided in the attached Appendix A*)

The Cooperative Agreements specify the funds the Legislature appropriated to OSUMA will be transferred to OSU and must be used for specific academic and research programs, including nursing, polytechnical programs, Oklahoma Aerospace Institute for Research and Education (OAIRE), Human Performance and Nutrition Research Institute (HPNRI), and OSU-CHS academic research. Per the agreements, the OSU/A&M Board accepts responsibility for any necessary reporting to the legislature or any other regulatory entity on progress towards meeting the stated goals for these projects. Excerpts from FY2023, FY2024, and FY2025 outlining the restricted purposes of the appropriations made by the Legislature are noted below:

Excerpt from **FY23 Cooperative Agreement** between The OSU Medical Authority and The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges signed by Jay Helm, OSUMA Board Chair, and Jarold Callahan, Board of Regents (BOR) Chair.

Whereas, the Board warrants that these funds will only be spent to meet the purposes of the appropriation made by the Legislature.

Now, therefore, OSUMA and the Board agree as follows:

**Section 1. Financial Terms.** OSUMA shall transfer the following amounts to OSU, subject to the availability of funds from the Legislature:

- i. \$500,000 for the Nursing Fund
- ii. \$5,000,000 for the Academic Research Center
- iii. \$10,000,000 for Polytechnic Programs

**Section 2. Term.** The term of this agreement shall be July 1, 2022, through June 30, 2023.

Excerpt from **FY24 Cooperative Agreement** between The OSU Medical Authority and The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges signed by Eric Polak, OSUMA CEO, and Joe Hall, BOR Chair.

Whereas, the Board warrants that these funds will only be spent to meet the purposes of the appropriation made by the Legislature.

Now, therefore, OSUMA and the Board agree as follows:

**Section 1. Financial Terms.** OSUMA shall transfer the following amounts to OSU, subject to the availability of funds from the Legislature:

- i. \$5,000,000 for the OK Aerospace Institute for Research & Education at OSU
- ii. \$5,000,000 for the Academic Research at OSU-CHS
- iii. \$5,000,000 for Polytechnic Programs at OSU

**Section 2. Term.** The term of this agreement shall be September 1 2023, through June 30, 2024.

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Excerpt from FY25 Cooperative Agreement between The OSU Medical Authority and The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges signed by Eric Polak, OSUMA CEO, and Jimmy Harrel, BOR Chair.

Whereas, the Board warrants that these funds will only be spent to meet the purposes of the appropriation made by the Legislature.

Now, therefore, OSUMA and the Board agree as follows:

**Section 1. Financial Terms.**

A. OSUMA shall transfer the following amounts to OSU, subject to the availability of funds from the Legislature:

- a. \$5,000,000 for the OK Aerospace Institute for Research and Education at the OSU Innovation Foundation
- b. \$10,000,000 for the Human Performance and Nutrition Research Institute at the OSU Innovation Foundation
- c. \$5,000,000 for academic research at OSU-CHS
- d. \$5,000,000 for Polytechnic programs at OSU-Tulsa

B. Upon presentation of an invoice, OSUMA shall pay 10 equal monthly payments of \$2,500,000 beginning in September 2024.

**Section 2. Term.** The term of this agreement shall be July 1, 2024 through June 30, 2025.

## Statutes/Policies

Pursuant to 70 O.S. § 4306(C), OSU is not permitted to give anything of value to the Innovation Foundation, Inc. (e.g. services, funds, etc.) without a written agreement in place, providing for “adequate payment or reimbursement” and Board Policy requires that the Board approve said written agreement.

(See Appendix C for Detailed Regulatory and Policy References)

*70 O.S. §4306(C) Authority to Receive Gifts – Funds*

*Article 10, Section 15 Oklahoma Constitution*

*70 O.S. §3901 - Establishment of Revolving Funds for State Educational Institutions and Agencies - Legislative Intent*

*63 O.S. § 3276(5) – Oklahoma State University Medical Authority, Powers and Duties - Applicable Statutes*

*NACUBO, Financial Accounting and Reporting Manual (FARM), Paragraph 363, Government Appropriations*

*Board Policy 1.12 - Structure of Institutional Agendas for Board Meetings and Identification of Items Requiring Action by the Board of Regents*

*Oklahoma State Regents for Higher Education Red Book 4.3.3*

*Oklahoma State University Policy 3-0201*

*GASB 34, paragraph 6 & 75 and GASB 46*

*NACUBO – FARM, Paragraph 205.42, Restricted*

## **Effect**

The financial risk of unauthorized funds transferred from the institution to a foundation could result in material non-compliance with laws and regulations and/or a deficiency in internal controls in the



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entity's external audit. OSU received a significant deficiency in FY2024 from its external auditor for understating the institution's restricted net position by \$17M. (See Appendix B - Section B.2) Unfavorable external audits can impact the recipient's ability to apply for federal grants, and to receive federal and other sources of funding. Non-compliance with the Cooperative Agreement requirements and failure to meet the stated goals of the legislative intent could be a risk to institutional reputation.

## **Recommendations**

1. OSU should establish and maintain restricted funds within OSU's general ledger for each of the designated purposes as specified in each year's Cooperative Agreement to accurately account for all restricted appropriations and their related expenditures.

### **Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*

Expected Implementation Date: *March 15, 2025*

2. Correcting entries should be made in the OSU general ledger to ensure all restricted funds are accounted for in accordance with the restrictions in the corresponding Cooperative Agreements.

### **Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*

Expected Implementation Date: *April 1, 2025*

3. OSU and Innovation Foundation, Inc. should make full reimbursements to restricted fund/s (as outlined in Recommendation #1) to fulfill the FY2023 – FY2025 Cooperative Agreements amounts transferred as of January 15, 2025, to restricted funds as follows:
  - o \$10M for OAIRE
  - o \$16.5M for PolyTech
  - o \$11.5M for Academic Research
  - o \$453K for Nursing
  - o \$2.5M HPNRI

### **Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*

Expected Implementation Date: *April 1, 2025*

4. OSU should account for the restricted legislative appropriations specified for academic and research purposes in accordance with state law, OSRHE Policy and NACUBO budget classifications for E&G and Auxiliary funds. OSU should ensure that legislatively appropriated funds are not spent on Auxiliary Enterprises.

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**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*  
Expected Implementation Date: *April 1, 2025*

- OSU should only transfer funds to the Innovation Foundation, Inc., for which they have an advance written contract outlining documented adequate payment or reimbursement in accordance with state statutes and approved by the OSU/A&M Board in accordance with Board Policy.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*  
Expected Implementation Date: *Ongoing*

- The Innovation Foundation, Inc. should return all FY2023, FY2024 and FY2025 legislative appropriated funds to OSU that have been transferred without a written agreement in place that outlines adequate payment or reimbursement, in accordance with state law, that has been approved by the OSU/A&M Board in accordance with Board Policy.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*  
Expected Implementation Date: *April 1, 2025*

- OSU should document policies and procedures to ensure processes are established to ensure restricted funds are accounted for in accordance with their restricted purposes in compliance with state law.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President; New CFO (To be determined)*  
Expected Implementation Date: *April 1, 2025*

- OSU should perform an assessment of budget and financial reporting personnel to determine if additional resources and financial reporting expertise is needed.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President; New CFO (To be determined)*  
Expected Implementation Date: *April 1, 2025 – June 30, 2025*

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9. OSU should establish a formal training program for pertinent finance and administrative staff regarding the accounting requirements and institutional policies and procedures for restricted funds.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President; New CFO (To be determined)*

Expected Implementation Date: *December 31, 2025*

## 2. OSU Transferred Restricted Appropriated Funds Intended for OSU to the Innovation Foundation, Inc.

**OSU transferred restricted legislatively appropriated funds intended for OSU to the Innovation Foundation, Inc., which were either deposited and/or co-mingled into unrelated funds or spent for purposes unrelated to the restrictions.**

### **Condition**

OSU transferred to the Innovation Foundation, Inc. **\$11.5M** in legislatively appropriated funds provided through OSUMA and intended for the University. The transfers to the Innovation Foundation, Inc. were not compliant with *70 O.S. §4306(C), Article 10, Section 15 Oklahoma Constitution, or Board Policy 1.12*. The Innovation Foundation, Inc. then spent and/or deposited some of these state appropriations for purposes unrelated to the restricted purposes. Those actions were not compliant with the *Cooperative Agreements, 70 O.S. §3901, GASB 34, paragraph 6 & 75 and GASB 46, NACUBO FARM Manual and OSRHE, Red Book 4.3.3, OSU Policy 3-0201* as follows:

- The Innovation Foundation, Inc. did not properly account for **\$6.3M** in funds in accordance with their restricted purpose. Specifically,
  - **\$4.9M** restricted for OAIRE was provided to an HPNRI fund.
  - **\$1.4M** restricted for OAIRE was provided to support of Innovation Foundation, Inc. facilities and operating costs - (\$290K Mike Morgan facilities costs and \$1.1M to Innovation Foundation operating fund). ([Appendix B – Section B.2](#))

Additionally, the Innovation Foundation, Inc. issued Cowboy Technologies, LLC a **\$500K** check from a fund that had co-mingled state legislatively appropriated funds. Cowboy Technologies, LLC is a for-profit corporation for which the Innovation Foundation, Inc., is the sole member.

- No action item for this transfer was approved by the Innovation Foundation, Inc. Board according to the drafted minutes.
- Cowboy Technologies, LLC requested \$500K in funding due to their declining bank balance of only \$2,500, cash liquidity concerns and contractual consulting commitments.

Also, OSU spent **\$1M** of OAIRE restricted funds for Innovation Foundation Executive/Administration compensation in violation of *70 O.S. §4306(C) and Board Policy 1.12*.

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## **Effect**

To remediate the inappropriate transfers and expenditures, funds will have to be replenished in accordance with this restricted purpose, which may impact cash reserve balances or other planned budgeted activities. Failure to appropriately account for and spend restricted funds can have negative consequences for the institution and intended recipients of the appropriations.

## **Criteria**

(See Appendix C for Detailed Regulatory and Policy References)

70 O.S. §4306(C) Authority to Receive Gifts – Funds

70 O.S. §3901 - Establishment of Revolving Funds for State Educational Institutions and Agencies -  
Legislative Intent

Article 10, Section 15 Oklahoma Constitution

NACUBO, Financial Accounting and Reporting Manual (FARM), Paragraph 363, Government  
Appropriations

Oklahoma State University Policy 3-0201 Fiscal Procedures and Accounting Systems

GASB 34, paragraph 6 & 75 and GASB 46

NACUBO – Financial Accounting & Reporting Manual, 205.42 Financial Statement Requirements

Board Policy 1.12 - Structure of Institutional Agendas for Board Meetings and Identification of Items  
Requiring Action by the Board of Regents

Oklahoma State Regents for Higher Education Red Book 4.3.3

## **Recommendation**

1. Return the full **\$11.5M** of unauthorized legislatively appropriated funds provided from OSU to the Innovation Foundation, Inc. (Chart 9) and account for them in OSU restricted funds intended for appropriations in accordance with 70 O.S. §3901, NACUBO Farm Manual and the OSRHE Red Book 4.3.3.

### **Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*

Expected Implementation Date: *April 1, 2025*

2. Reimburse the **\$1M** of unauthorized legislatively appropriated funds utilized to fund Executive/Administrative compensation for OSU employees assigned to the Innovation Foundation, Inc.

### **Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*

Expected Implementation Date: *June 30, 2025*

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3. The unauthorized **\$500K** in funds provided to Cowboy Technologies, LLC should be returned to the Innovation Foundation, Inc. and included in the \$11.5M repayment to OSU.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*

Expected Implementation Date: *April 1, 2025*

4. A cash flow assessment of Cowboy Technologies, LLC should be conducted to determine its economic viability.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President; New CFO (To be determined)*

Expected Implementation Date: *June 30, 2025*

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## 3. Innovation Foundation, Inc. Lacks Independent Funding

**The Innovation Foundation, Inc., is not operating with financial independence and has inappropriately utilized legislative appropriations intended for OSU.**

### Condition

The Innovation Foundation, Inc. relied on inappropriately transferred legislatively appropriated funds intended for OSU special projects to support 96% of the operating costs of the Innovation Foundation, Inc. without a contract for repayment or reimbursement and Board of Regents approval. Those actions are not compliant with *70 O.S. §4306(C), Article 10, Section 15 Oklahoma Constitution and Board Policy 1.12.* (See supporting documentation from Innovation Foundation, Inc. General Ledger in [Appendix B – Section B.1.](#))

Based on the transactions from the Innovation Foundation, Inc.’s general ledger, it generated only 2% of its revenue independently so far this fiscal year, which creates concerns for its financial sustainability. Additionally, there has been a notable decline in independently generated revenue, which decreased from \$4.2M in FY2023, to \$955K in FY2024 and then \$150K in FY2025 to date. The Innovation Foundation, Inc. had a significant decline in grant revenue. The following table is a quantification of accounting data from the Innovation Foundation General Ledger.

**Innovation Foundation, Inc Revenue and Cash General Ledger (Chart 9) as of 1/16/2025**

Innovation Foundation, Inc Revenue (funding sources)	FY24	FY25	FY25 % of Support	Total
OSUMA Funds	4,000,000.00	7,500,000.00	96%	11,500,000.00
OAIRE Professional Services (6%) from 1-326662		131,546.29	2%	131,546.29
Lab Service Revenue charged to other grants		15,422.16	0%	15,422.16
Lease Revenue (OSU CLGT, OSU Office of Tech Commercialization)	156,341.92			156,341.92
OSU Foundation gift	411,683.62			411,683.62
<b>Subtotal OSU/OSU Affiliate Support</b>	<b>4,568,025.54</b>	<b>7,646,968.45</b>	<b>98%</b>	<b>12,214,993.99</b>
Accrued Grant Revenue (OSURF/Innovation Foundation, Inc)	881,947.84	97,318.68		979,266.52
Lease Revenue -Mike Morgan Bld and VentureOne Bld	73,060.03	52,623.85		125,683.88
Ada Jobs Foundation		569.00		569.00
PrairieOne Revenue	101.09			101.09
<b>Subtotal of Independently Generated Innovation Foundation, Inc Revenue</b>	<b>955,108.96</b>	<b>150,511.53</b>	<b>2%</b>	<b>1,105,620.49</b>
<b>Total Funding in Innovation Foundation, Inc GL Chart 9</b>	<b>5,523,134.50</b>	<b>7,797,479.98</b>		<b>13,320,614.48</b>

Innovation Foundation, Inc Cash flow	FY24	FY25
FY 24 Beginning Balance (Carryforward includes OSU funds)	5,718,691.40	7,762,934.92
OSU/OSU-Affiliate Support to the Innovation Foundation, Inc GL	4,568,025.54	7,646,968.45
Total Non-OSU funding (non-orange)	955,108.96	150,511.53
Total Expenses ( <i>does not include compensation &amp; expenses paid on OSU's GL Chart 1</i> )	(3,478,890.98)	(3,297,382.04)
Estimated FY Ending Cash	7,762,934.92	12,263,032.86

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## **Effect**

The reliance on legislative appropriations to sustain the foundation's operations raises concerns about financial sustainability and compliance with legislative intent. The decline in grant revenue further exacerbates the foundation's financial instability, potentially impacting its ability to achieve its research objectives. Moreover, the use of legislative appropriations in violation of state law poses legal and ethical risks.

## **Criteria**

70 O.S. §4306(C)  
Article 10, Section 15 Oklahoma Constitution  
Board Policy 1.12

## **Recommendation**

1. Ensure the \$11.5M unauthorized state appropriations transferred from OSU to the Innovation Foundation, Inc. are repaid in full to OSU and deposited intact into restricted funds as outlined in Observation #1 and Recommendation #3.

### **Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*  
Expected Implementation Date: *April 1, 2025*

2. Perform a comprehensive evaluation of the Innovation Foundation, Inc.'s structure, governance model, future revenue streams, and overall viability. The key areas of focus should include:
  - a. **Organizational Structure:** Assess the current organizational structure to determine if it supports efficient and effective operations. Identify any structural changes that may enhance the foundation's ability to achieve its objectives and improve financial stability.
  - b. **Revenue Streams:** Analyze existing revenue streams and explore opportunities for diversification. This includes identifying potential new sources of independent revenue, such as partnerships, sponsorships, and innovative funding models. Additionally, strategies to increase grant funding should be developed and implemented.
  - c. **Financial Viability:** Evaluate the foundation's financial health and sustainability. This includes reviewing financial statements, budgeting practices, and fiscal management processes. Identify any financial risks and assess the foundation's viability.
  - d. **Compliance and Governance:** Ensure that the foundation's operations comply with state laws and legislative appropriations guidelines. Strengthen governance practices to enhance transparency, accountability, and ethical conduct.



## OFFICE OF INTERNAL AUDIT

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State Funds  
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**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*

Expected Implementation Date: *May 31, 2025*

## 4. \$55.5M in Appropriated Funds Not Fully Included in OSU Budget

**\$55.5M in legislatively appropriated funds from OSUMA was not fully presented to the Board for budgetary approval as required by the Board and OSRHE Policy.**

### **Condition**

OSU did not fully include or disclose the legislatively appropriated funds, totaling \$55.5M for FY2023 – FY2025, in the budgets it presented to the OSU/A&M Board for approval under *Board Policy 1.12(F) and OSRHE Red Book 4.2 and 4.8*. OSU/A&M Board Policy also requires Board approval of significant budget revisions – no such revised budget(s) that includes these funds has been presented to the Board to date. (To date, \$41M of these funds have been transferred from OSUMA to OSU.)

### **Effect**

Failure to obtain Board budgeting approval for the legislatively appropriated funds undermines the Board's governance of the institution and its ability to conduct fiscal oversight and ensure accountability. Additionally, the absence of formal budget approval violates state law, policy, exposes the Board to liability, and may lead to reputational risks, and diminished stakeholder confidence in the institution's adherence to financial protocols.

### **Criteria**

*Board Policy 1.12(F) - Structure of Institutional Agendas for Board Meetings and Identification of Items Requiring Action by the Board of Regents*  
*Oklahoma State Regents for Higher Education Red Book 4.2*  
*Oklahoma State Regents for Higher Education Red Book 4.8*

### **Recommendation**

1. Submit a budget amendment for the remaining \$55.5M in legislatively appropriated funds to the Board for review and approval in compliance with Board Policy. Include a detailed plan outlining the recipient, restricted purpose, intended use, and impact of these funds across FY2023, FY2024, and FY2025.

### **Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President; New CFO (To be determined)*

Expected Implementation Date: *May 31, 2025*

## OFFICE OF INTERNAL AUDIT

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2. The OSU Senior Vice President for Administration and Finance should provide the Board's Finance Committee with periodic reports, at least twice per year, detailing all OSUMA funds along with a comprehensive list of related expenditures. Additionally, such reports should include a narrative summarizing the projects undertaken and describing how the projects comply with the restricted purposes of legislative funding.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President; New CFO (To be determined)*

Expected Implementation Date: *Ongoing*

3. Provide training to relevant personnel on Board Policy requirements for budget revisions and the importance of obtaining approvals for significant financial changes.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President; New CFO (To be determined)*

Expected Implementation Date: *June 30, 2025*

## 5. Simultaneous Executive Role Assignments Created Conflict of Interest Concerns

Certain OSU executive leaders served in simultaneous OSU, OSUMA and Innovation Foundation, Inc. executive roles related to the transfer of legislatively appropriated funds from OSUMA to OSU and then to the Innovation Foundation, Inc. that created a conflict of interest and a lack of segregation of duties. Further, the multiple roles blurred the lines of governance.

### *Condition*

Certain OSU executive leaders simultaneously served in the following executive roles<sup>3</sup>:

- The OSU System President also served as the Board Chair and Member of the Innovation Foundation, Inc.
- The OSU-CHS President also served as a Board Director and Member for the Innovation Foundation, Inc. and an OSUMA Board Member.
- The OSU-CHS Vice President for Administration and Finance, also served as the OSU Interim Senior Vice President for Administration and Finance (As of July 2024), CEO of OSUMA and as a Board Director and Member of the Innovation Foundation, Inc. (As of July 2024)
- The former OSU Senior Vice President for Administration and Finance (Prior to July 2024) also formerly served as a Board Director and Member of the Innovation Foundation, Inc. (Prior to July 2024)
- The CEO and Board Director of the Innovation Foundation, Inc. also served as an OSU employee reporting directly to the OSU System President.
- The OSU Provost and Senior Vice President for Academic Affairs also served as a Board Director and Member for the Innovation Foundation, Inc.
- The OSU Vice President for Research and Board Director also served as a Member of the Innovation Foundation, Inc.

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<sup>3</sup> This does not contemplate whether any such leaders simultaneously served in multiple roles at the direction of another leader(s), as conflict of interest and segregation of duties concerns exist regardless of that factor.

# OFFICE OF INTERNAL AUDIT

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Consequently, the above simultaneous executive roles by OSU executive leadership provided the following segregation of duties and conflict of interest concerns and blurred the lines of governance:

- Proposing legislative asks for OSUMA to the State Legislative Appropriations Committee, which would in part be designated for OSU.
- Receiving the State Senate Office directives on the legislative purposes for OSU of the funds for OSUMA.
- Providing a budget to the OSUMA Board for approval outlining the specific legislative purposes for the funds provided to OSU.
- Executing the Cooperative Agreements with the OSU/A&M Board of Regents Chair as OSUMA CEO.
- Overseeing the creation and approval of invoices from OSU to OSUMA for transfer of funds to OSU.
- Directing the disposition and allocation of the funds provided by OSUMA to OSU and in some instances the Innovation Foundation, Inc., in a manner not compliant with 70 O.S. §4306(C), Article 10, Section 15 Oklahoma Constitution, and Board Policy 1.12 and 3.05.
- Preparing the budget of the Innovation Foundation, Inc. and directing OSU's transfer of OSU state appropriated funds to fill budget gaps of the Innovation Foundation, Inc.
- Overriding the restriction of the Cooperative Agreements between the OSU/A&M Board of Regents and OSUMA.

## **Effect**

With certain OSU executive leadership serving in simultaneous executive positions with authority over the legislative requests, allocation and distribution of funds, there were blurred governance responsibilities and a structure that raises concerns about potential conflicts of interest and segregation of duties.

Ultimately \$11.5M, in legislatively appropriated funds were provided to the Innovation Foundation, Inc. without a contract for repayment or reimbursement and without approval of the Board of Regents as required by 70 O.S. §4306(C), Article 10, Section 15 Oklahoma Constitution, and Board Policy 1.12. As a result, some state appropriated funds were utilized for unauthorized and unrelated purposes, and were not retained in full by OSU, the intended recipient.

# OFFICE OF INTERNAL AUDIT

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## **Criteria**

*Board Policy 3.05 – Ethics*  
*Board Policy 1.12 – Items Requiring Board Approval*  
*70 O.S. §4306(C)*  
*Article 10, Section 15 Oklahoma Constitution*

## **Recommendation**

1. While it may be appropriate in some instances for executives to have dual simultaneous roles, there needs to be an evaluation of the responsibilities of OSU executive leadership as it relates to simultaneous roles with affiliated entities, including OSUMA and the Innovation Foundation, Inc., to resolve segregation of duties and conflict of interest concerns.

Specifically, one individual should not have unilateral ability to request, authorize and allocate the disposition of state appropriations. Distinct roles and responsibilities should be assigned to ensure adequate segregation of financial responsibilities and clear lines of governance.

### **Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*  
Expected Implementation Date: *May 31, 2025*

2. Develop a documented reconciliation and compliance monitoring process by an OSU employee independent of the multiple executive roles previously mentioned to ensure and certify that all funds received by OSU from OSUMA are spent in accordance with the restrictions outlined in the Cooperative Agreements.

### **Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*  
Expected Implementation Date: *June 30, 2025*

3. Establish a periodic reporting of not less than twice a year to the OSU/A&M Board of Regents Finance Committee that includes all year-to-date and residual balances of legislative appropriated funds received through processes outside the Oklahoma State Regents for Higher Education (OSRHE). This list should detail the original amounts awarded, amounts received, the source of the funds, any restrictions, a summary of expenditures to date, and residual fund balances, as well as the intended use for residual funds.

### **Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President; New CFO (To be determined)*  
Expected Implementation Date: *April 30, 2025*

## 6. Inappropriate Use of OSU's Education & General (E&G) Funds

**OSU E&G funds have inappropriately been used to pay expenses related to auxiliary enterprises and Innovation Foundation operating expenses.**

*(Note: E&G funds include funds appropriated by the Legislature and tuition/fee revenue. Use of E&G funds is restricted by state law and OSRHE policies and cannot be utilized to subsidize institutional auxiliary enterprise costs.)*

### **Condition**

- **\$5.7M** in E&G funds subsidized operating costs of the Hamm Institute Building, which totaled \$9.2M between FY2022-FY2025. Baker Hughes, a commercial tenant, occupied the Hamm Institute Building, and paid \$5.6M in auxiliary rent revenue during most of this time period. According to 70 O.S. §3901 and OSRHE, Red Book 4.3.3 the use of E&G funds to subsidize the operating expenses of a building producing auxiliary revenue is not allowed.
- **\$3.6M** from OSU's E&G funds were utilized to pay personnel costs for OSU employees assigned to the Innovation Foundation, Inc., which in part includes some auxiliary enterprise activities/costs. This occurred during FY2023-FY2025. 70 O.S. §3901 and OSRHE, Red Book 4.3.3 does not allow E&G funds to subsidize auxiliary enterprise costs or to transfer/provide institutional resources to a foundation without a written contract outlining adequate payment or reimbursement. In some instances, the expenditure did not meet the restricted purposes as outlined previously in this report.

### **Criteria**

70 O.S. §3901  
OSRHE, Red Book 4.3.3

### **Effect**

The use of E&G funds to fund auxiliary operating costs decreases the amount of funding available to meet the academic mission of the institution.

# OFFICE OF INTERNAL AUDIT

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## Recommendations

1. Conduct a thorough review of past expenditures/transfers of E&G funds utilized to subsidize auxiliary enterprise and/or transferred to the Innovation Foundation, Inc. without OSU/A&M Board approval and an approved written contract. Reimburse all non-compliant expenditures and/or transfers of E&G funds in accordance 70 O.S. §3901 and OSRHE, Red Book 4.3.3.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President; New CFO (To be determined)*  
Expected Implementation Date: *June 30, 2025*

2. Develop, document, and enforce clear policies and procedures that delineate the appropriate use of E&G funds, ensuring compliance with state law and OSRHE policies.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*  
Expected Implementation Date: *Ongoing*

3. Provide a formal documented training program for financial managers and staff on the proper use of E&G funds that includes the restrictions outlined in state law and OSRHE policies.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*  
Expected Implementation Date: *August 31, 2025*

4. Require an advance-written contract approved by the OSU/A&M Board that outlines adequate payment or reimbursement terms consistent with 70 O.S. §3901 for all transfers or use of institutional resources to or in support of the Innovation Foundation, Inc.

**Management Agreement to Implement: Yes**

Individual(s) Responsible: *Jim Hess, Interim President*  
Expected Implementation Date: *July 1, 2025*



# OFFICE OF INTERNAL AUDIT

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## Observation Risk Ranking

Risk Level	Definition
<b>High</b>	Considered to have a high risk and potential adverse impact. Management should prioritize risk mitigation efforts.
<b>Medium</b>	Considered to have a medium risk and potential adverse impact. Management should take action steps to address identified risks.
<b>Low</b>	Considered to have a lower probability of potential adverse effects. However, management should address identified risks.

### Background

The OSUMA Board and the OSU/A&M Board have agreed on the transfer of funds appropriated by the Oklahoma Legislature to support educational programs at OSU and its branch campuses. The Cooperative Agreements between OSUMA and the OSU/A&M Board for FY2023, FY2024 and FY2025 provided a combined total of \$55,500,000 to OSU, \$41,000,000 was transferred as of January 15, 2025. The agreements state that the funds will be spent for the restricted purposes in specified amounts for each fiscal year, which include some of the following stated goals:

- \$500,000 Nursing Program
- \$10,000,000 Oklahoma Aerospace Institute for Research and Education
- \$10,000,000 for the Human Performance and Nutrition Research Institute
- \$15,000,000 for Academic Research
- \$20,000,000 for Polytechnic Programs

The Cooperative Agreements state the OSU/A&M Board is responsible for ensuring the funds are used according to the Legislature's directives and for reporting progress to the Legislature or other regulatory entities.

### Criteria

Relevant policies, state law and contractual criteria are included in the attached ([Appendix C](#)).

### Methodology

This audit was conducted in conformance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

# OFFICE OF INTERNAL AUDIT

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State Funds  
Oklahoma State University  
March 5, 2025

## Engagement Team

Rick Brewster, CPA, CFE, Assistant Chief Audit Executive  
Jamie Simons, CPA, CIA, CFE, Internal Audit Director

## Report Submission

Respectfully submitted,



Michelle Finley, CIA, CFE, Chief Audit Executive

## Distribution

Audit, Risk Management and Compliance Review Committee, OSU/A&M Board of Regents:

C. Baetz, Chair  
J. Callahan, Member  
B. Taylor, Member  
J. Harrel, Non-Voting, Ex Officio Member  
J. Ramsey, Non-Voting, Ex Officio Member

J. Hess, Interim President, Oklahoma State University System  
C. Byrd, Oklahoma State Auditor and Inspector

**Appendix A**  
**Cooperative Agreements between OSUMA and OSU**  
**and**  
**OSUMA Budget Approval of**  
**Legislatively Directed Appropriated Funds**

# OFFICE OF INTERNAL AUDIT

State Funds  
Oklahoma State University  
March 5, 2025

## FY2023 Cooperative Agreement between OSU and OSUMA

Cooperative Agreement  
between  
The OSU Medical Authority  
and

The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges

Whereas, the OSU Medical Authority ("OSUMA") is an agency of the State of Oklahoma authorized to receive appropriations from the Oklahoma legislature ("Legislature") pursuant to its mission;

Whereas, the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Board") is a constitutionally created Board authorized to govern certain institutions of higher education, including Oklahoma State University ("OSU") and its branch campuses;

Whereas, OSUMA is authorized by 63 Okla. Stat. § 3276 to enter into cooperative agreements with the Board for educational programs;

Whereas, the Legislature appropriated funds to OSUMA to be transferred to OSU and its branch campuses for educational programs; and

Whereas, OSUMA desires to transfer funds to OSU consistent with the Legislature's directives and the Board desires for OSU to receive funds to implement the legislative purpose; and

Whereas, the Board accepts the responsibility for any necessary reporting to the Legislature or any other regulatory entity on progress towards meeting the stated goals for these projects; and

Whereas, the Board warrants that these funds will only be spent to meet the purposes of the appropriation made by the Legislature.

Now, therefore, OSUMA and the Board agree as follows:

**Section 1. Financial Terms.** OSUMA shall transfer the following amounts to OSU, subject to the availability of funds from the Legislature:

- i. \$500,000 for the Nursing Fund
- ii. \$5,000,000 for the Academic Research Center
- iii. \$10,000,000 for Polytechnic Programs

**Section 2. Term.** The term of this agreement shall be July 1, 2022, through June 30, 2023.

For OSUMA:

  
Jay Helm  
Chair

For the Board:

  
David Callahan  
Chair

# OFFICE OF INTERNAL AUDIT

State Funds  
Oklahoma State University  
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## FY2024 Cooperative Agreement between OSU and OSUMA

**Cooperative Agreement  
between  
The OSU Medical Authority  
and**

**The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges**

Whereas, the OSU Medical Authority ("OSUMA") is an agency of the State of Oklahoma authorized to receive appropriations from the Oklahoma legislature ("Legislature") pursuant to its mission;

Whereas, the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Board") is a constitutionally created Board authorized to govern certain institutions of higher education, including Oklahoma State University ("OSU") and its branch campuses;

Whereas, OSUMA is authorized by 63 Okla. Stat. § 3276 to enter into cooperative agreements with the Board for educational programs;

Whereas, the Legislature appropriated funds to OSUMA to be transferred to OSU and its branch campuses for educational programs; and

Whereas, OSUMA desires to transfer funds to OSU consistent with the Legislature's directives and the Board desires for OSU to receive funds to implement the legislative purpose; and

Whereas, the Board accepts the responsibility for any necessary reporting to the Legislature or any other regulatory entity on progress towards meeting the stated goals for these projects; and

Whereas, the Board warrants that these funds will only be spent to meet the purposes of the appropriation made by the Legislature.

Now, therefore, OSUMA and the Board agree as follows:

**Section 1. Financial Terms.** OSUMA shall transfer the following amounts to OSU, subject to the availability of funds from the Legislature:

- i. \$5,000,000 for the OK Aerospace Institute for Research & Education at OSU
- ii. \$5,000,000 for the Academic Research at OSU-CHS
- iii. \$5,000,000 for Polytechnic Programs at OSU

**Section 2. Term.** The term of this agreement shall be September 1 2023, through June 30, 2024.

For OSUMA:



Eric Polak  
CEO

For the Board:



Joe Hall  
Chair

# OFFICE OF INTERNAL AUDIT

State Funds  
Oklahoma State University  
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## FY2025 Cooperative Agreement between OSU and OSUMA

### Cooperative Agreement between The OSU Medical Authority and

### The Board of Regents for the Oklahoma Agricultural and Mechanical Colleges

Whereas, the OSU Medical Authority ("OSUMA") is an agency of the State of Oklahoma authorized to receive appropriations from the Oklahoma legislature ("Legislature") pursuant to its mission;

Whereas, the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges (the "Board") is a constitutionally created Board authorized to govern certain institutions of higher education, including Oklahoma State University ("OSU") and its branch campuses;

Whereas, OSUMA is authorized by 63 Okla. Stat. § 3276 to enter into cooperative agreements with the Board for educational programs;

Whereas, the Legislature appropriated funds to OSUMA to be transferred to OSU and its branch campuses for educational programs; and

Whereas, OSUMA desires to transfer funds to OSU consistent with the Legislature's directives and the Board desires for OSU to receive funds to implement the legislative purpose; and

Whereas, the Board accepts the responsibility for any necessary reporting to the Legislature or any other regulatory entity on progress towards meeting the stated goals for these projects; and

Whereas, the Board warrants that these funds will only be spent to meet the purposes of the appropriation made by the Legislature.

Now, therefore, OSUMA and the Board agree as follows:

#### Section 1. Financial Terms.

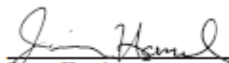
- A. OSUMA shall transfer the following amounts to OSU, subject to the availability of funds from the Legislature:
- \$5,000,000 for the OK Aerospace Institute for Research and Education at the OSU Innovation Foundation
  - \$10,000,000 for the Human Performance and Nutrition Research Institute at the OSU Innovation Foundation
  - \$5,000,000 for academic research at OSU-CHS
  - \$5,000,000 for Polytechnic programs at OSU-Tulsa
- B. Upon presentation of an invoice, OSUMA shall pay 10 equal monthly payments of \$2,500,000 beginning in September 2024.

**Section 2. Term.** The term of this agreement shall be July 1, 2024 through June 30, 2025.

For OSUMA:

For the Board:

  
Eric J. Polak  
CEO

  
Jimmy Harrel  
Chair

# OFFICE OF INTERNAL AUDIT

State Funds  
Oklahoma State University  
March 5, 2025

## OSUMA Board Meeting Agenda for June 23, 2022, regarding FY2023 Legislative Directives

OKLAHOMA STATE UNIVERSITY MEDICAL AUTHORITY  
REGULAR MEETING  
June 23, 2022 – 1:15 p.m.  
OSU Medical Center, 744 W. 9<sup>th</sup> Street  
Administrative Boardroom  
AGENDA

- I. Call to order and establishment of a quorum – Chairman Helm
- II. Discussion, consideration and possible vote on the approval of minutes of the April 20, 2022 meeting (ATTACHMENT 1) – Chairman Helm
- III. CEO's Report (ATTACHMENT 2) – Mr. Polak
  - a. Financial Report
    - i. 5/31/2021 YTD financial report
  - b. Legislative Session Review
  - c. Transition to OnBoard system
- IV. Discussion, consideration, and possible vote to approve the Fiscal Year 2023 appropriated budget in the amount of \$77,348,189 (ATTACHMENT 3) – Mr. Polak
- V. Discussion, consideration and possible vote to approve the following FY 2023 expenditures subject to execution of necessary contractual agreements – Mr. Polak
  - a. Payment to the Oklahoma Health Care Authority in the amount of \$4,008,356.04 for Indirect Medical Education matching funds
  - b. Payments to the Oklahoma State University Center for Health Sciences in the amount of \$36,262,126:
    - i. \$28,927,141 - Dean's GME pass-through funds
    - ii. \$300,000 - Reimbursement for residency program coordinator costs
    - iii. \$500,000 – Nursing program startup funding (*new legislative directive*)
    - iv. \$1,494,985 – Strategic joint physician hires with the Veterans Administration
    - v. \$5,000,000 – Academic Research Center funding (*new legislative directive*)
    - vi. \$40,000 – Proportional costs of a fundraising agreement with the Oklahoma State University Foundation
  - c. Payments to the Oklahoma State University Medical Trust in the amount of \$26,827,706.96:
    - i. \$13,651,643.96 – Base educational subsidy
    - ii. \$1,371,048 – Nursing workforce stabilization (*new legislative directive*)
    - iii. \$11,805,015 – Capital funds for construction and renovations in accordance with the strategic plan
  - d. Payments to Oklahoma State University in the amount of \$10,000,000 to support polytechnical education (*new legislative directive*)
- VI. Announcements – Chairman Helm
  - a. Next regularly scheduled meeting of the Authority is July 28, 2022 at the OSU Center for Health Sciences, 1111 W. 17<sup>th</sup> Street, Tulsa.

# OFFICE OF INTERNAL AUDIT

State Funds  
Oklahoma State University  
March 5, 2025

## OSUMA Board Meeting Budget Approved on June 22, 2023, regarding FY2024 Legislative Directives

### Proposed Budget Expenditures – FY 23 vs FY 24

	FY 23	FY 24	Change
Administrative Costs	\$ 250,000	\$ 250,000	\$ -
Medicaid IME Match	\$ 4,008,356	\$ 6,061,229	\$ 2,052,873
Educational Subsidy	\$ 13,651,644	\$ 11,598,771	\$ (2,052,873)
Strategic Capital (Trust)	\$ 11,805,015	\$ 11,805,015	\$ -
VA/Mental Health Joint Hires (CHS)	\$ 1,494,985	\$ 1,494,985	\$ -
Program Coordinator Support (CHS)	\$ 300,000	\$ 300,000	\$ -
Fundraising Contract (CHS)	\$ 40,000	\$ 40,000	\$ -
<i>Discretionary Funding Total:</i>	\$ 31,550,000	\$ 31,550,000	\$ -
Deans GME Passthrough to OSU-CHS	\$ 28,927,141	\$ 28,927,141	\$ -
OSU-Tulsa Polytech Programs	\$ 10,000,000	\$ 5,000,000	\$ (5,000,000)
Oklahoma Aerospace Institute for Research & Education	\$ -	\$ 5,000,000	\$ 5,000,000
Nursing Workforce Stabilization to OSUMC	\$ 1,371,048	\$ 1,871,048	\$ 500,000
Nursing Program Startup at OSU-Stillwater	\$ 500,000	\$ -	\$ (500,000)
Academic Research Center at OSU-CHS	\$ 5,000,000	\$ 5,000,000	\$ -
Behavioral Health Workforce Pilot Program	\$ -	\$ 1,000,000	\$ 1,000,000
<i>Designated Funding Total:</i>	\$ 45,798,189	\$ 46,798,189	\$ 1,000,000
<b>Total Budget:</b>	\$ 77,348,189	\$ 78,348,189	\$ 1,000,000



# OFFICE OF INTERNAL AUDIT

State Funds  
Oklahoma State University  
March 5, 2025

## OSUMA Board Meeting Budget Approved on June 20, 2024, regarding FY2025 Legislative Directives

OSUMA FY 25 Proposed Budget  
6.20.2024

Expenditure Description	Recipient	FY 24 Bud	FY 25 Proposed	change from prior yr
<b>Appropriated (195) Funds</b>				
1 Deans GME Passthrough	OSU Center for Health Sciences	\$ 28,927,141	\$ 28,927,141	\$ -
2 GME Program Coordinator Reimbursement	OSU Center for Health Sciences	\$ 300,000	\$ 300,000	\$ -
3 OSU Foundation Fundraising Agreement	OSU Center for Health Sciences	\$ 40,000	\$ 40,000	\$ -
4 VA Joint Hire Subsidy	OSU Center for Health Sciences	\$ 1,494,985	\$ 1,494,985	\$ -
5 Academic Research Center	OSU Center for Health Sciences	\$ 5,000,000	\$ 5,000,000	\$ -
6 Indirect Medical Education Match	Oklahoma Health Care Authority	\$ 6,061,229	\$ 6,725,692	\$ 664,463
7 OSU Medical Center Educational Support	OSU Medical Trust	\$ 11,598,771	\$ 10,934,308	\$ (664,463)
8 OSUMC Physician Clinic Support	OSU Medical Trust	\$ -	\$ -	\$ -
9 OSUMC Nursing Workforce Stabilization	OSU Medical Trust	\$ 1,871,048	\$ 1,871,048	\$ -
10 Strategic Capital	OSU Medical Trust	\$ 11,805,015	\$ 11,805,015	\$ -
11 Polytech Programs Passthrough	Oklahoma State University - Tulsa	\$ 5,000,000	\$ 5,000,000	\$ -
12 OK Aerospace Institute for Research & Education	Oklahoma State University - Stillwater	\$ 5,000,000	\$ 5,000,000	\$ -
13 Human Performance & Nutrition Rsrch Institute	Oklahoma State University - Stillwater	\$ -	\$ 10,000,000	\$ 10,000,000
14 Behavioral Health Workforce Grant	OSU Center for Health Sciences	\$ 300,000	\$ -	\$ (300,000)
15 Behavioral Health Workforce Grant	Tulsa Health Department	\$ 350,000	\$ -	\$ (350,000)
16 Behavioral Health Workforce Grant	Parkside Hospital	\$ 310,000	\$ -	\$ (310,000)
17 Behavioral Health Workforce Grant	Saint Francis Health System	\$ 40,000	\$ -	\$ (40,000)
18 Agency Administration	Various	\$ 250,000	\$ 250,000	\$ -
19 LCF Recapitalization for OSUMC Expansion	OCIA	\$ -	\$ 1,500,000	\$ 1,500,000
20 LCF Recapitalization for Science Bldg @ OSU	OCIA	\$ -	\$ 4,000,000	\$ 4,000,000
Subtotal		\$ 78,348,189	\$ 92,848,189	\$ 14,500,000
<b>Behavioral Health Workforce Development Fund</b>				
21 Psychiatric Residency Program Startup	TBD	\$ -	\$ 2,082,000	\$ 2,082,000
22 Behavioral Health Workforce Grant	TBD	\$ -	\$ 1,000,000	\$ 1,000,000
Subtotal		\$ -	\$ 3,082,000	\$ 3,082,000
<b>Total Appropriations</b>		<b>\$ 78,348,189</b>	<b>\$ 96,930,189</b>	<b>\$ 17,582,000</b>
<b>- For Information Only -</b>				
<b>ARPA Funds from Legislature</b>				
23 Human Performance	Oklahoma State University	\$ 50,000,000	\$ 49,745,915	\$ (254,085)
24 Pharmaceutical Development Lab	Oklahoma State University	\$ 50,000,000	\$ 49,450,987	\$ (549,013)
25 Advanced Care for Rural Oklahoma	Oklahoma State University	\$ 10,000,000	\$ 9,384,699	\$ (615,301)
Subtotal		\$ 110,000,000	\$ 108,581,601	\$ (1,418,399)
<b>290 Fund for OK Psych Care Center</b>				
26 OK Psychiatric Care Center	Dewberry Architects	\$ 6,353,599	\$ 2,506,268	\$ (3,847,331)
27 OK Psychiatric Care Center	Crossland Construction	\$ 73,745,543	\$ 77,418,435	\$ 3,672,892
Subtotal		\$ 80,099,142	\$ 79,924,703	\$ (174,439)
<b>Total</b>		<b>\$ 268,447,331</b>	<b>\$ 284,436,493</b>	<b>\$ 15,989,162</b>

# **Appendix B**

## **Supporting Documentation**

# OFFICE OF INTERNAL AUDIT

State Funds  
Oklahoma State University  
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## Section B.1 – OSUMA State Appropriated Funds Intended for OSU – Deposited into Innovation Foundation

Legislative Deposits in Innovation Foundation, Inc.					
Payment date	Banner JE	Invoice	Deposit to Fund	Fund Name	Total
10/9/2023	J0295239	09230AIRE	9-174004	HPNRI Human Performance	50,000.00
			9-174005	OAIRE OK Aerospace Institute	350,000.00
		10230AIRE	9-174004	HPNRI Human Performance	50,000.00
			9-174005	OAIRE OK Aerospace Institute	350,000.00
11/15/2023	J0299929	11230AIRE	9-174004	HPNRI Human Performance	50,000.00
			9-174005	OAIRE OK Aerospace Institute	350,000.00
12/6/2023	J0300188	12230AIRE	9-174004	HPNRI Human Performance	50,000.00
			9-174005	OAIRE OK Aerospace Institute	350,000.00
1/17/2024	J0303246	01240AIRE	9-174004	HPNRI Human Performance	50,000.00
			9-174005	OAIRE OK Aerospace Institute	350,000.00
2/13/2024	J0305292	02240AIRE	9-174004	HPNRI Human Performance	50,000.00
			9-174005	OAIRE OK Aerospace Institute	350,000.00
3/13/2024	J0309390	03240AIRE	9-174004	HPNRI Human Performance	50,000.00
			9-174005	OAIRE OK Aerospace Institute	350,000.00
4/16/2024	J0311120	04240AIRE	9-174004	HPNRI Human Performance	50,000.00
			9-174005	OAIRE OK Aerospace Institute	350,000.00
5/9/2024	J0314203	05240AIRE	9-174004	HPNRI Human Performance	50,000.00
			9-174005	OAIRE OK Aerospace Institute	350,000.00
6/19/2024	J0317558	062024OAIRE	9-174004	HPNRI Human Performance	50,000.00
			9-174005	OAIRE OK Aerospace Institute	350,000.00
9/9/2024	J0324928	092024OAIRE	9-174003	Innovation Foundation	228,302.80
			9-174004	HPNRI Human Performance	875,558.40
			9-174005	OAIRE OK Aerospace Institute	338,017.30
			9-326025	Mike Morgan Building	58,121.50
10/29/2024	J0329257	102024OAIRE	9-174003	Innovation Foundation	228,302.80
			9-174004	HPNRI Human Performance	875,558.40
			9-174005	OAIRE OK Aerospace Institute	338,017.30
			9-326025	Mike Morgan Building	58,121.50
12/10/2024	J0332505	112024OAIRE	9-174003	Innovation Foundation	228,302.80
			9-174004	HPNRI Human Performance	875,558.40
			9-174005	OAIRE OK Aerospace Institute	338,017.30
			9-326025	Mike Morgan Building	58,121.50
1/2/2025	J0333703	122024OAIRE	9-174003	Innovation Foundation	228,302.80
			9-174004	HPNRI Human Performance	875,558.40
			9-174005	OAIRE OK Aerospace Institute	338,017.30
			9-326025	Mike Morgan Building	58,121.50
1/10/2025	J0334596	012025OAIRE	9-174003	Innovation Foundation	228,302.80
			9-174004	HPNRI Human Performance	875,558.40
			9-174005	OAIRE OK Aerospace Institute	338,017.30
			9-326025	Mike Morgan Building	58,121.50
<b>Grand Total</b>					<b>11,500,000.00</b>

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## Section B.2 – OSU’s - FY2024 External Audit Significant Deficiency for Not Properly Restricting Legislatively Appropriated Funds Provided from OSUMA to OSU, which Understated OSU’s Restricted Net Position

Oklahoma State University  
Schedule of Findings and Responses  
For the Year Ended June 30, 2024

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### Section I – Financial Statement Findings

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#### 2024 – 001

**Type of Finding:** Significant Deficiency in Internal Control Over Financial Reporting

**Condition:** During the audit process, the auditors noted that restricted net position was understated and unrestricted net position was overstated by approximately \$17,000,000. As a result, an adjustment was proposed and posted through the audit process. This adjustment was a necessary step in ensuring that the financial statements were fairly stated under U.S. generally accepted accounting principles (GAAP).

**Criteria or specific requirement:** Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the statements of net position, changes in net position, and cash flows, and disclosures in the statements, in conformity with accounting principles generally accepted in the United States of America.

**Effect:** Financial statement could be materially misstated.

**Cause:** The University’s controls were not able to detect the adjustments needed as part of the audit.

**Repeat finding:** No

**Recommendation:** The University should continue to review all GAAP requirements for transactions to ensure conformity and establish internal controls, including monitoring, to ensure the fair presentation of financial data. Specifically, a process should be established to ensure restricted funding is properly accounted for in the University’s general ledger in accordance with the applicable external constraints placed on the funding source.

**Views of responsible officials and planned corrective actions:** The University will ensure transactions conform with GAAP.

# **Appendix C**

## **Regulatory and Policy References**

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## Article 10 Section 15 Oklahoma State Constitution

### SECTION X-15

Pledge or loan of credit - Donation - Exceptions.

A. Except as provided by this section, the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, or association, municipality, or political subdivision of the State, nor shall the State become an owner or stockholder in, nor make donation by gift, subscription to stock, by tax, or otherwise, to any company, association, or corporation.

### 70 O.S. §4306 Authority to Receive Gifts – Funds

C. The Oklahoma State Regents for Higher Education, any institution or agency of The Oklahoma State System of Higher Education or the regents or governing board of such institution or agency shall not directly or indirectly transfer any funds to any college- or university-related foundation or render services or provide anything of value to any such foundation without receiving documented adequate payment or reimbursement therefor according to written contract; provided, nothing herein shall be construed as prohibiting payment by the institution or agency of claims for expenses of fund raising for the benefit of the institution or agency by state employees if such fund raising activities are approved in advance by the governing board of regents responsible for such institution or agency and made a part of the minutes of the meeting of the board.

### 70 O.S. §3901 Establishment of Revolving Funds for State Educational Institutions and Agencies - Legislative Intent

(a) There are hereby established two revolving funds for each state educational institution and for each agency thereof. The Educational and General Operations Revolving Fund shall consist of any appropriations made by the Legislature for such purpose and shall include income received from student fees, sales and services of educational departments and all other income available to the institution or agency for educational and general purposes as defined in the uniform budget and accounting classifications recommended by the publications of the National Association of College and University Business Officers. The Capital Improvements Revolving Fund shall consist of any appropriations made by the Legislature for such purposes. Such revolving funds may be used for the specified purposes when allocated and allotted as provided by the Oklahoma Budget Law of 1947, Sections 41.1 et seq. of Title 62 of the Oklahoma Statutes.

(b) It is the intent of the Legislature that the State Regents promulgate appropriate rules and regulations for accomplishing prescribed procedures of this section. Said rules and regulations shall include requirements that regular maintenance and utility costs and other operating expenses of auxiliary enterprises not be paid from education and general-purpose funds without documented adequate reimbursement and that the use of fees and other charges be restricted to the purpose for which collected.

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**63 O.S. § 3276(5)** – Oklahoma State University Medical Authority, Powers and Duties - Applicable Statutes

A. The Oklahoma State University Medical Authority shall have the power and duty to:

1. Adopt bylaws and promulgate rules for the regulation of its affairs and the conduct of its business;
2. Adopt an official seal;
3. Maintain an office at a location to be determined by the Authority;
4. Sue and be sued, subject to the provisions of The Governmental Tort Claims Act;
5. Enter into cooperative agreements with the Board of Regents for the Oklahoma Agricultural and Mechanical Colleges for educational programs, professional staffing, research and other medical activities;
6. Make and enter into all contracts necessary or incidental to the performance of its duties and the execution of its powers pursuant to the Oklahoma State University Medical Authority Act;
7. Purchase or lease equipment, furniture, materials and supplies, and incur such other expenses as may be necessary to maintain and operate hospitals or clinics, or to discharge its duties and responsibilities or to make any of its powers effective;
8. Acquire by purchase, lease, gift, or by any other manner, and to maintain, use and operate or to contract for the maintenance, use and operation of or lease of any and all property of any kind, real, personal, or mixed or any interest therein unless otherwise provided by the Oklahoma State University Medical Authority Act;
9. Appoint such officers, agents and employees, including but not limited to attorneys, as it deems necessary and to prescribe their duties and to fix their compensation;
10. Accept grants from the United States of America, or from any corporation or agency created or designed by the United States of America, and, in connection with any grant, to enter into such agreements as the United States of America or such corporation or agency may require;
11. Make and issue bonds and to pledge revenues of the Authority subject to the Oklahoma Bond Oversight and Reform Act. Nothing in the Oklahoma State University Medical Authority Act shall authorize the issuance of any bonds of the Authority payable other than from revenues of the Authority. Funds appropriated to the Authority shall not be used for issuance of bonds. Authority revenue bonds issued under the provisions of this act shall not at any time be deemed

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to constitute a debt of the state or of any political subdivision thereof or a pledge of the faith and credit of the state or of any political subdivision, but such bonds shall be payable solely from the funds herein provided. Such revenue bonds shall contain on the face thereof a statement to the effect that neither the state nor the Authority shall be obligated to pay the same or the interest thereon except from the revenues of the project or projects for which they are issued and that neither the faith and credit nor the taxing power of the state or any political subdivision thereof is pledged, or may hereafter be pledged, to the payment of the principal of or the interest on such bonds. The maximum amount of outstanding bonds at any time shall not exceed Fifty Million Dollars (\$50,000,000.00) unless a greater amount is expressly approved by the Legislature by a concurrent resolution adopted prior to commencing any action in anticipation of issuance of revenue bonds of the Oklahoma State University Medical Authority for the greater amount;

12. Provide for complete financial audits on all accounts of the Oklahoma State University Medical Authority and to authorize periodic audits by an independent external auditing agency. Such audits shall be performed annually in a format approved by the State Auditor and Inspector, and all such audits shall be submitted to the State Auditor and Inspector for review. Such audits shall be made in accordance with generally accepted auditing standards and government auditing standards. Financial statements shall be prepared in accordance with generally accepted accounting principles. In addition to said audits, whenever the State Auditor and Inspector deems it appropriate, and at least once each five (5) years, or upon receipt of a request to do so from the Governor, the Attorney General, the President Pro Tempore of the Oklahoma State Senate, the Speaker of the Oklahoma House of Representatives or the Authority, the State Auditor and Inspector shall conduct a special audit of the Authority;

13. Engage in long-term planning for the operation and management of the Authority;

14. Establish petty cash funds and provide for appropriate accounting procedures and controls;

15. Contract with national manufacturers and distributors of drugs and medical supplies when appropriate to carry out the purposes of this act;

16. Provide funding to other entities for purposes related to public health, teaching, research, and the purposes of the Oklahoma State University Medical Authority Act when provided funding for such purposes by the Legislature;

17. Do all other things necessary and proper to implement the provisions of the Oklahoma State University Medical Authority Act;

18. Waive, by such means as the Authority deems appropriate, the exemption from federal income taxation of interest on the Authority's bonds provided by the Internal Revenue Code of 1986, as amended, or any other federal statute providing a similar exemption;



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19. Arrange for guaranties or insurance of its bonds by the federal government or by any private insurer, and to pay any premiums therefor; and

20. Make a declaration of necessity as provided in Section 3273 of this title. The Authority may, in its exclusive judgment, make a declaration of necessity when such a declaration is deemed necessary to effectuate the purposes of the Oklahoma State University Medical Authority Act.

B. The Oklahoma State University Medical Authority shall be subject to the Oklahoma Budget Law of 1947.

C. The Authority shall prepare monthly a “budget vs. actual” report which shows by budget activity the monthly and year-to-date revenues and expenditures compared to budgeted revenues and expenditures. Such report shall be submitted to the Office of Management and Enterprise Services and to the Directors of the House of Representatives Fiscal Division and the Senate Fiscal Division.

D. The Authority shall be subject to the professional risk management program provided for in Section 85.58A of Title 74 of the Oklahoma Statutes.

### **NACUBO, Financial Accounting and Reporting Manual (FARM), Paragraph 363, Government Appropriations**

The government appropriations categories include all appropriations from, or made available to, an institution by legislative acts of the federal, state or local governments or by a local taxing authority.

### **Oklahoma State Regents for Higher Education Red Book**

4.3.3 Auxiliary Budget An auxiliary enterprise is generally defined as a self-supporting activity that provides services to students, faculty and/or staff. Auxiliary units charge fees for their services. The fees relate to, but are not necessarily equal to, the cost of the service (CUBA, 1992). The Auxiliary Budget is included in the annual budget to the State Regents so that funds to operate such activities (auxiliary enterprises) may be allocated and allotted in a lump sum for expenditure through the 700 Fund, which is an agency special account (explained below). In general, the various governing boards may establish and operate auxiliary enterprises. These enterprises include dormitories, student housing, cooperative group housing, adult education facilities, kitchens, dining halls, auditoriums, student union buildings, field houses, stadiums, public utility plants, and systems for the supplying of water, gas, heat, or power to the governed institution, and other self-supporting projects and other revenue producing buildings deemed necessary by the governing board for the comfort, convenience, and welfare of their students and suitable for the purposes for which the institutions were established. (Title 70 O.S. 2001, Sections 3305, 3412, 3510, 3606, 3706, 3806, and 4001.) The educational and general funds of the institution may not be used to subsidize auxiliary enterprises.

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4.2 Budget Submission Each higher education institution is required to submit an annual budget to the State Regents by the middle of June of each year on Form SR-A3. This form is provided annually by the State Regents' office and is designed to reflect the estimated amounts for all budget functions to be received and expended during the fiscal year for all budget functions. The budget thus shows a unified educational and general budget for the institution for the fiscal year. Prior to final approval by the State Regents, each institution shall have submitted its budget request and received approval from the appropriate institutional governing board.

4.8 Change of Needs and Budget Revisions during the Year 4.8.1 Procedures Exercise of competent planning in the original budget and careful adherence to the planned activities keeps the need for budget revisions during the fiscal year to a minimum. It is recognized, however, that circumstances may justify budget function revisions that require allotment changes without changes to the total budget allocation. An institution faced with the need for this type of budget revision must file a letter of request for the budget revision with the State Regents. The explanatory request serves as a transmittal letter for the revised budget Form SR-A5. This form can be obtained by contacting the State Regents' office. Only those schedules affected by the revision should be filed. In all cases, Schedules A and F will be filed. If changes in objects of expenditure are to be made, Schedule B is also filed. If changes in revenues are known, Schedule C is also filed. Upon approval by the State Regents, institutions are responsible for entering the their revised budget into the State budget system, a copy of the revised Schedule F is filed with the Office of State Finance and becomes the basis for subsequent allotment activation. The approved revised budget becomes the new guide to the institution in its program of expenditures.

4.8.2 Supplemental Allocations and Allotments (Revised Budget) As a general rule, the budget approved at the beginning of the fiscal year encompasses the designated workload of the institution for that fiscal year. In exceptional cases, institutions find it necessary to request supplemental allocations from revolving funds to modify that workload. Collections of revenues by an institution in excess of the amounts anticipated and allocated by the State Regents would normally remain in the revolving fund for allocation and allotment, as needed in future fiscal years. If, however, sufficient need exists in the current year for supplemental allocations of revolving funds, and if sufficient revenues are available either from prior years' surplus or from current year's income, the institution may request a supplemental allocation. This request, in the form of an appropriate explanatory letter from the president of the institution, is submitted to the State Regents for consideration. The supplemental requests are reviewed and approved by Regents' staff and ratified by the State Regents at the next 19 scheduled meeting. (State Regents' Policy Manual, Part II - Chapter 4, Delegation of Authority). As explained below, the funds are budgeted and allotted in order to be encumbered and expended. Following or in conjunction with the supplemental allocation, the institution must file a revised educational and general budget as a basis for allotment. The revised budget is filed with the State Regents on Form SR-A5 Schedules A, B, C, and F as explained above. Upon approval of the revised budget, the institution must enter the revised budget into the State budget system and the State Regents will file a copy of the approved revised budget with the Office of State Finance where the revised Schedule F becomes the basis for subsequent allotment activation. The approved revised budget becomes the new guide to the institution in its program of expenditures.

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## Oklahoma Agricultural and Mechanical Colleges Board of Regents Policy

### Finance and Management Policy 2.01

“The following establishes the standards, procedures and guidelines for presenting financial and other information for the Board. The Presidents of the institutions will establish policies to ensure that financial information and/or reports are submitted on a timely basis to the Board.

1. Accounting and Fiscal Management. The accounting and fiscal management of the institutions governed by the Board shall be in accordance with the Financial Accounting and Reporting Manual for Higher Education published by the National Association of Colleges and University Business Officers.
2. Budgets. Prior to the beginning of the fiscal year, the institutions governed by the Board and the Board’s Executive/Administrative Office shall prepare a budget setting out in detail their expenditures for the entire fiscal year. These institutional budgets shall be submitted to members of the Board in advance of the meeting in which the budgets are to be approved and prior to submission to any other entity unless otherwise approved by the Board. A summary of estimated revenues and expenditures of E&G, Part I; E&G, Part II; auxiliary enterprises; and student activities shall be presented to the Board in the institutional annual budgets. The institutions shall file, not later than July 1, a copy of their budgets with the Director of State Finance. Prior to July 1, the Board’s Executive/Administrative Office shall notify each institution of its pro rata share of the Board’s budget that will be assessed against the institutions during the fiscal year.”

### Board Policy 1.12 - Structure of Institutional Agendas for Board Meetings and Identification of Items Requiring Action by the Board

The purpose of this policy is to establish a uniform structure for institutional agendas for Board meetings, and to assist the Presidents in identifying the various matters which are to be presented for formal action by the Board. Each proposed Board action is to be presented in the following agenda item format and sent in a timely manner to the Board and CEO in advance of the scheduled Board meeting. Categories A. and M. are to be presented as informational items and do not require action by the Board. All other items listed below do require Board approval.

The Board expects the Presidents of all institutions to present to the Board for information or action anything that they consider to be significant enough to their institutions that awareness or action is required by the Board. The following topics under each category are intended to be broad and non-prescriptive. However, they are also intended to place the responsibility on the Presidents to keep the Board informed of essential and sensitive issues while obtaining Board approval for those issues requiring Board action.

- A. General Information/Reports Requiring No Action by the Board

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- B. Resolutions
  - Memorial Resolutions
  - Resolutions of appreciation
  
- C. Policy and Operational Procedures
  - Institutional procedures for granting tenure
  - Institutional travel policies
  - Faculty and staff handbooks and modifications thereto
  - Consortium agreements between two or more schools
  - Incentive awards programs
  - Awarding of honorary degrees
  - Institutional mission statements
  - Benefit and retirement plans (does not include premium, contribution or plan design changes)
  - Special fees and modifications thereof
  - Requests to waive Board Policy
  - Board approved institutional policies and revisions thereto (See Board Policy 1.13)
  - Official seals for colleges/universities
  - Salary programs
  
- D. Personnel Actions
  - Personnel actions consistent with Board Policies 3.01, 3.02 and 3.03
  - Position description for major administrative personnel (See Board Policy 3.03)
  
- E. Instructional Programs
  - New courses
  - New instructional programs
  - Curricular and degree modifications
  - Off-campus course offerings
  - New degree programs and termination of degree programs
  - Report of program reviews
  
- F. Budgetary Actions
  - Annual operating budgets
  - Budget revisions which significantly impact E&G, Part I; E&G, Part II; and Auxiliary Enterprises
  
- G. Other Business and Financial Matters
  - Acceptance of gifts of real property to the institution
  - Acceptance of foundation projects
  - Sale of real property
  - Purchase of real property requiring Board approval (See Board Policy 2.07 (4) (A))
  - Granting, termination, or abandonment of easements
  - Authorization to advertise for mineral leases
  - Mineral leases

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- Lease agreements requiring Board approval (See Board Policy 2.07)
- All actions related to sale of revenue bonds (selection of financial advisor and bond legal counsel, sale of revenue bonds, selection of trustee bank, etc.)
- All actions related to the defeasance of revenue bonds
- Naming/renaming buildings and other facilities (See Board Policies 2.16 and 2.17)
- Self-insurance programs
- Distribution of group life surplus
- Revisions to campus master plans
- Commission of peace officers (See 74 O.S. § 360.15, et seq.)
- Revocation of peace officer commissions (See 74 O.S. § 360.15, et seq.)
- Change in building function
- Discontinuance of student loan funds
- H. Contractual Agreements (other than construction and renovation)
  - Contracts with alumni associations and institutional foundations
  - Contracts in excess of the institution's Board approval limit
- I. New Construction or Renovation of Facilities
  - Initiation of construction project and appropriation
  - Begin architectural/engineering consultant selection process, selection of architect/engineer, approval of detailed design, etc. (See Board Policy 2.09)
  - Award construction contract
  - Increase in project scope
  - Construction for new or renovation projects that exceed the construction limit established in board policy 2.09, attachment C, section E
  - Purchases for renovations to Presidents' residences (See Board Policy 2.07)
  - Removal of existing structures
  - Revision of funding for construction projects
- J. Purchase Requests
  - See Board Policy 2.07
- K. Student Services/Activities
  - New student fees and modifications thereto
  - Room and board rates
  - Student rights and responsibilities statements and modifications thereto (See Board Policy 1.19)
- L. New Business Unforeseen At Time Agenda Was Posted
- M. Other Informational Matters Not Requiring Action of the Board
  - Institutional academic calendars

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## Board Policy 3.05 – Ethics

1. This policy applies to:
  - A. Members of the Board
  - B. Staff members of the Board; and
  - C. Individuals employed by, or acting on behalf of, member institutions, including volunteers.

The Ethics Policy governs only official conduct performed by or on behalf of the OSU/A&M System. Violations of the Ethics Policy may result in disciplinary action including dismissal or termination.

2. Policy Statement The foundations of ethical behavior are a commitment to respecting the rights and dignity of all persons and a commitment to discharging our obligations to others in a fair and honest manner. Each person in the OSU/A&M System plays an important role in keeping these commitments by demonstrating integrity and respect in his or her daily activities and in the performance of his or her responsibilities. This Policy establishes a statement of principles to guide the activities of all faculty, staff, students and individuals acting on behalf of member institutions.
  - A. We affirm the importance of academic integrity in all endeavors. We will be honest, fair, trustworthy and respectful so as to promote an environment distinguished by the highest standards of academic honesty.
  - B. We respect the rights and dignity of all persons and recognize that illegal discrimination or harassment in any form undermines the fundamental principles of member institutions. We support a respectful environment through our own actions, encourage respectful behavior in others and speak out against hatred and bias.
  - C. We recognize that when in positions of authority we have a responsibility to conduct ourselves in a manner that will maintain and strengthen the public's trust in the integrity of the OSU/A&M System. We will set the example of fairness and honesty in all of our dealings, and not use our authority to influence others to perform inappropriate or illegal acts, or violate laws, regulations or institutional policies.
  - D. We recognize that we are often the custodians of personal and institutional information we have a responsibility to protect. We will not abuse this trust or violate any applicable laws by allowing unauthorized access, disclosure and/or confidential information obtained from official records.
  - E. We recognize our responsibility to comply with all applicable federal, state and local laws, rules and regulations; grant and contract requirements; professional standards; and Board and institutional policies and procedures; and to report instances of unethical and unprofessional conduct.

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- F. We recognize that conflicts of interest or commitment can interfere with the best interests of the OSU/A&M System and erode our credibility. A conflict of interest occurs when an individual is in a position to influence a decision on policies, purchases, programs or decisions from which he/she or his/her spouse, child, stepchild, parent, sibling, or other person or entity with whom he/she has a business or charitable affiliation, might directly or indirectly receive a substantial benefit. A conflict of commitment arises when an individual's involvement in outside activities substantially interferes with his/her primary commitments to the OSU/A&M System or its member institutions. We will promptly disclose such conflicts and take steps to mitigate or eliminate any that compromise our integrity or that of the OSU/A&M System, in accordance with applicable law and policies.
- G. We recognize the importance of acting in good faith, responsibly, and with due care and diligence in the use and control of all institutional assets and resources entrusted to us. We will be efficient and economical in their use; ensure that all funds received are used prudently, ethically and for their designated purposes; and ensure accurate, complete and reliable business records are maintained.
- H. We recognize that we have a responsibility to be scrupulous in our business dealings and to report known or suspected fraudulent activity or unethical behavior to the appropriate institutional official and/or through a confidential reporting process.

This Ethics Policy is not intended to address every situation, but instead to make each individual aware of the general scope of ethics and accountability expected from him or her as a member of the OSU/A&M System.

### **Oklahoma State University Policy 3-0201**

INTRODUCTION AND GENERAL STATEMENT 1.01 The Oklahoma State University (OSU) accounting system developed from the following contributing factors. The State of Oklahoma's laws and procedures; federal agency requirements; College and University Business Administration, published by the National Association of College and University Business Officers; the Audit Guide for College and Universities; published by the American Institute of Certified Public Accountants; and the internal needs and limitations have been most influential in determining the system as it now exists. What is presented on the following pages is not a static system.

UNIVERSITY POLICY AND STATE LAW 2.01 State Law - The Oklahoma Higher Education Code requires "(a) The Oklahoma State System of Higher Education shall operate an allotment system similar to the procedure set out in the Oklahoma Budget Law of 1947 for other agencies of the state except the Oklahoma State Regents for Higher Education shall be substituted for the Director of the Office of Management and Enterprise Services in connection with approving allotment requests of the constituent institutions and agencies comprising the State System. The account classification for the State System shall

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conform as nearly as possible with the classification of accounts recommended by the National Committee on Standard Reports for Institutions of Higher Education.”

## **OSU Policy 3-0201**

**7.03** Educational and general funds may not be expended for land, buildings, infrastructure, or nonstructural improvements without approval by the Oklahoma State Regents for Higher Education for the transfer of funds to the Capital Revolving Fund.

## **NACUBO – Financial Accounting & Reporting Manual 205.42**

### **¶205.42 Restricted**

Restricted net position represents the portion of net position subject to constraints placed on their use. Net position is reported as restricted when constraints placed on the use are either:

- externally imposed by creditors (such as through debt covenants), grantors, donors, or laws or regulations of other governments, or
- imposed by law through constitutional provisions or enabling legislation.

SGAS 34 also requires that net position be classified as restricted when restrictions on use change the nature or normal understanding of the availability of the asset. For example, if otherwise unrestricted resources are required to be segregated and held in a separate bank account to be used only to pay debt service, the net position represented by such reclassification would be deemed to be restricted expendable.

When an institution holds permanent endowments, restricted net position is displayed in the statement of net position in two components—expendable and nonexpendable. Restricted nonexpendable net position is comprised of the portion of funds that are required to be retained in perpetuity. Restricted expendable net position includes resources whose use is limited by external requirements. Unless a donor specifies that net appreciation on endowments is to be added to principal, net position relating to such appreciation is classified as restricted expendable. If applicable laws require a portion of net appreciation to be maintained in perpetuity (e.g., to maintain the endowment’s purchasing power), such appreciation is classified as restricted nonexpendable.

## **GASB 34, Paragraph 6 and 75**

**Accounting and Reporting Capabilities** (See Section 1200, “Generally Accepted Accounting Principles and Legal Compliance.”)

.101 A governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.



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March 5, 2025

## **Fund Accounting Systems** (See Section 1300, “Fund Accounting.”)

.102 Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Fund financial statements should be used to report additional and detailed information about the primary government, including its blended component units. The focus of governmental and proprietary fund financial statements is on *major* funds.

## **GASB 46 – Net Assets Restricted – Applicable to all state and local governments**

### Standards of Governmental Accounting and Financial Reporting **Scope and Applicability**

2. This Statement establishes and modifies requirements related to restrictions of net **asset** resulting from enabling legislation. It amends GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, [paragraph 34](#). This Statement applies to all state and local governments.

### **Determining Legal Enforceability**

3. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment, which may be based on actions such as analyzing the legislation to determine if it meets the qualifying criteria for enabling legislation, reviewing determinations made for similar legislation of the government or other governments, or obtaining the opinion of legal counsel. However, enforceability cannot ultimately be proven unless tested through the judicial process, which may never occur. The determination of legal enforceability should be based on the underlying facts and circumstances surrounding each individual restriction. The determination that a particular restriction is not legally enforceable may lead a government to reevaluate the legal enforceability of similar enabling legislation restrictions, but should not necessarily lead a government to conclude that all enabling legislation restrictions are unenforceable.