



OHSU Public Finance & Audit Committee Meeting

**Thursday, June 26, 2025
9:00-11:00am**

YouTube: <https://youtube.com/live/uRaGmT4xrIM?feature=share>

Dial In: +1-503-388-9555 Portland Oregon Toll- Access code: 263 132 58509



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Agenda

1. FY25 YTD Results and Proposed FY26 Budget
2. Internal Audit Update
3. KMPG Plan for FY25 External Audit



June 19, 2024

To: Members, OHSU Finance & Audit Committee

From: Lawrence J. Furnstahl
Executive Vice President & Chief Financial Officer

Re: Materials for June 26th Meeting

Enclosed are materials for next Thursday's public meeting of the Finance & Audit Committee, to be held by WebEx at 9 am PT. The first agenda item is discussion of May YTD results and the proposed operating and capital budget for FY26. The full Board will consider the budget at its June 27th meeting.

The FY25 May YTD operating loss is \$(106)m, roughly in line with last year's performance. Through 11 months, revenues are up \$481m or 10.6% while expenses are up \$479m or 10.3%, for a small \$2 improvement in adjusted operating income compared to May YTD last year. The largest factors impacting earnings this year are \$(62)m of additional financial assistance to patients, together with greater partner support at Adventist and Hillsboro, which have also been impacted by implementation of HB 3320—the bill on presumptive screening for financial assistance that we supported and now need to fund.

The proposed FY26 budget plan makes no estimate of possible impacts to Medicaid, NIH or other federal funds from the new administration or Congress. Most of these now seem likely to occur in FY27. The budget cuts this year's estimated loss by more than half to \$(45)m and keeps the negative operating margin below -1%. Key strategies are 12% revenue growth with continued focus on services required to treat cancer and other complex diseases, while keeping growth in total compensation expense to 10%. Tuition increases are kept to 2%.

While over time we must scale OHSU's missions and services to the resources available, more budget reductions than targeted here would result in excessive damage now. Although falling short of a balanced budget, the FY26 plan showing progress toward a sustainable financial position over time. The largest budgeted improvement occurs in Healthcare and the School of Medicine, where the CEO and Dean budget together using a new, more robust integrated process. This will continue without pause as the new fiscal year begins, rather than waiting to mid-year. Given the planned deficit, OHSU can fund fewer capital projects and will draw down cash balances otherwise intended for future investment.

The second agenda item is an internal audit update from Joe Holmes, Direct of Audit & Advisory Services. Finally, KPMG will present their plan for the independent audit of OHSU's FY25 financial statements.



OHSU Onward: Proposed FY26 Operating & Capital Budget

OHSU Finance & Audit Committee / June 26, 2025

Introduction to May Results & FY26 Budget

- This document presents FY25 financial results through May and proposes the FY26 operating and capital budgets. The full Board will consider the budget on June 27th.
- May YTD operating loss is \$(106)m and annualizes to a full year loss of \$(114)m or a -2.1% operating margin, roughly in line with last year's performance.
- Next year's proposed budget aims to cut this loss by more than half and keep the negative operating margin below -1%.

OHSU Income Statement (millions)	FY24 Actual*	FY25 Adj Budget*	FY25 May Annualized	FY26 Prop Budget	FY26 Prop / FY25 Ann
Operating revenues	\$5,035	\$5,462	\$5,489	\$6,149	12.0%
Salaries & benefits	3,172	3,390	3,416	3,755	9.9%
Rx, supplies & services	1,705	1,809	1,924	2,165	12.5%
Depreciation & interest	255	270	263	274	4.1%
Total expense	5,133	5,469	5,602	6,194	10.6%
Operating income	\$(97)	\$(7)	\$(114)	\$(45)	-60.5%
Operating margin	-1.9%	-0.1%	-2.1%	-0.7%	
EBITDA margin	3.1%	4.8%	2.7%	3.7%	
*\$43.5m 340b recovery in FY24 and \$18.1m RIF cost in FY25 budget booked in FY24.					

Introduction to FY26 Budget (continued)

- The budget proposed here follows closely the plan outlined in April.
- It makes no estimate of possible impacts to Medicaid, NIH or other federal funds from the new administration. Most of these changes now seem likely to begin in FY27.
- Key strategies are 12% revenue growth with continued focus on services required to treat cancer and other complex disease, while keeping salary & benefit growth to 10%.
- To hold the operating margin within -1% margin loss, we are also:
 - Keeping general pay increases for faculty and managers to 2%, with each one percentage point equivalent to approximately 50 employees in Unclassified Administrative and faculty roles.
 - Pay for performance against productivity benchmarks in all three missions.
 - Significant scrutiny on position control and management.
 - Holding vacancies and securing supply chain and other savings across OHSU.
- The budget keeps tuition increases of no more than 2% and maintains the Tuition Promise for all eligible programs, where tuition is kept at entering year levels through the course of the program (e.g., years 1 – 4 for MD and DMD degrees).
- Employee benefits are not reduced.

Introduction to FY26 Budget (continued)

- While over time we must scale OHSU's missions and services to the resources available, more cuts than targeted here would result in excessive damage now.
- Thus, we are planning for a \$(45)m or -0.7% deficit next year in order to preserve as many jobs as possible and avoid widespread layoffs.
- Although falling short of a balanced budget, the FY26 plan does reduce last year's actual and this year's estimated losses of about \$(114)m or -2.1% by more than half, showing progress toward a sustainable financial position over time.
- Given the planned deficit, OHSU can fund fewer capital projects and will draw down cash balances otherwise intended for future investment:
 - The annual capital budget is \$130m, down from \$150m several years ago.
 - We complete the Vista Pavilion (IPA) and launch the Emergency Department expansion but delay the Perinatal Addition until a funding path for that \$425m project becomes clear.
 - As a result, cash is forecast to decline \$(184)m assuming 6% investment return.

FY25 May YTD Dollar Change from Prior Year

- The broadest way of looking at FY25 May YTD financial results is to compare dollars of revenue and expense to the prior year.
- Through 11 months, revenues are up \$481m or 10.6% while expenses are up \$479m or about 10.3%, for a slight \$2m improvement in adjusted operating income.
- This analysis excludes last year's one-time recovery of 340b Medicare revenue.

OHSU Operating Income (millions)	FY24 May YTD	FY25 May YTD	Dollar Change
Operating revenue	\$4,550	\$5,031	\$481
Operating expense	4,658	5,137	479
	<hr/>	<hr/>	<hr/>
Adjusted operating gain (loss)	\$(108)	\$(106)	\$2
<i>One-time 340b recovery</i>	<i>44</i>		
	<hr/>		
<i>Total operating gain (loss)</i>	<i>\$(44)</i>		

\$(81)M Variance from Budget by Major Area

- Through May, OHSU's total operating loss is \$(81)m off budget.
- The budget variances are adjusted for \$18m in severance & other RIF costs originally budgeted in FY25 but in the end accrued in June 2024.
- Half of this amount was in Healthcare and half in other University institutional accounts.
- Absent this adjustment, we are \$(63)m off.
- Healthcare + School of Medicine are lagging target consistent with impact of HB3320 presumptive screening for financial assistance to patients—\$62m through May—plus higher AHP & HMC partner support and staffing costs.
- Other areas of the University have favorable budget variances, as does the Strategic Initiative budget due to slower ramp up of program spending.

FY25 May YTD Budget Variance*	(millions)
Healthcare	\$(74.2)
School of Medicine	(44.2)
Subtotal - HC + SoM	(118.4)
Provost Areas	5.8
Chief Research Officer Areas	1.3
Chief Financial Officer Areas	7.8
Other Central Administration	2.3
Subtotal - Other Operating Areas	17.2
Strategic initiatives	18.4
Other Institutional Accounts	(3.9)
Restricted (Grant) Funds	(1.4)
Depreciation & Interest	6.7
Total Variance from Budget	\$(81)
<i>*Budget adjusted for \$18.1m in severance & other RIF costs accrued into June 2024.</i>	

FY25 May YTD Loss at \$(106)M with -2.1% Margin

May YTD - 11 Months (millions)	Last Year Adjusted	Budget Adjusted	FY25 May Actual	Actual - Budget	Actual / Last Year
Net patient revenue	\$3,108	\$3,468	\$3,457	\$(11)	11.2%
Medical contracts	168	190	179	(11)	6.7%
Healthcare other revenue	235	196	259	64	10.3%
Subtotal - clinical	3,511	3,854	3,896	41	10.9%
Grants & contracts	527	543	527	(15)	0.0%
Gifts applied	109	120	123	3	12.9%
Tuition & fees	75	78	78	(1)	3.5%
Non-healthcare other revenue	61	48	59	11	-3.5%
Subtotal - academic & other	772	788	787	(1)	1.9%
Subtotal - State support	266	349	349	0	30.9%
Total operating revenues	4,550	4,991	5,031	40	10.6%
Salaries & benefits	2,877	3,111	3,131	20	8.8%
Rx & medical supplies	914	988	1,078	90	18.0%
Other services & supplies	634	669	687	18	8.3%
Depreciation & interest	233	248	241	(7)	3.6%
Total operating expenses	4,658	5,016	5,137	121	10.3%
Adjusted operating income	(107)	(24)	(106)	(81)	0
Adjustments made*	44	(18)	0	18	
Total operating income (loss)	\$(64)	\$(42)	\$(106)	\$(63)	
*\$43.5m 340b recovery in last year and \$18.1m RIF cost in this year's budget booked in June.					

Broad-Based Gains Across Patient Volume Metrics

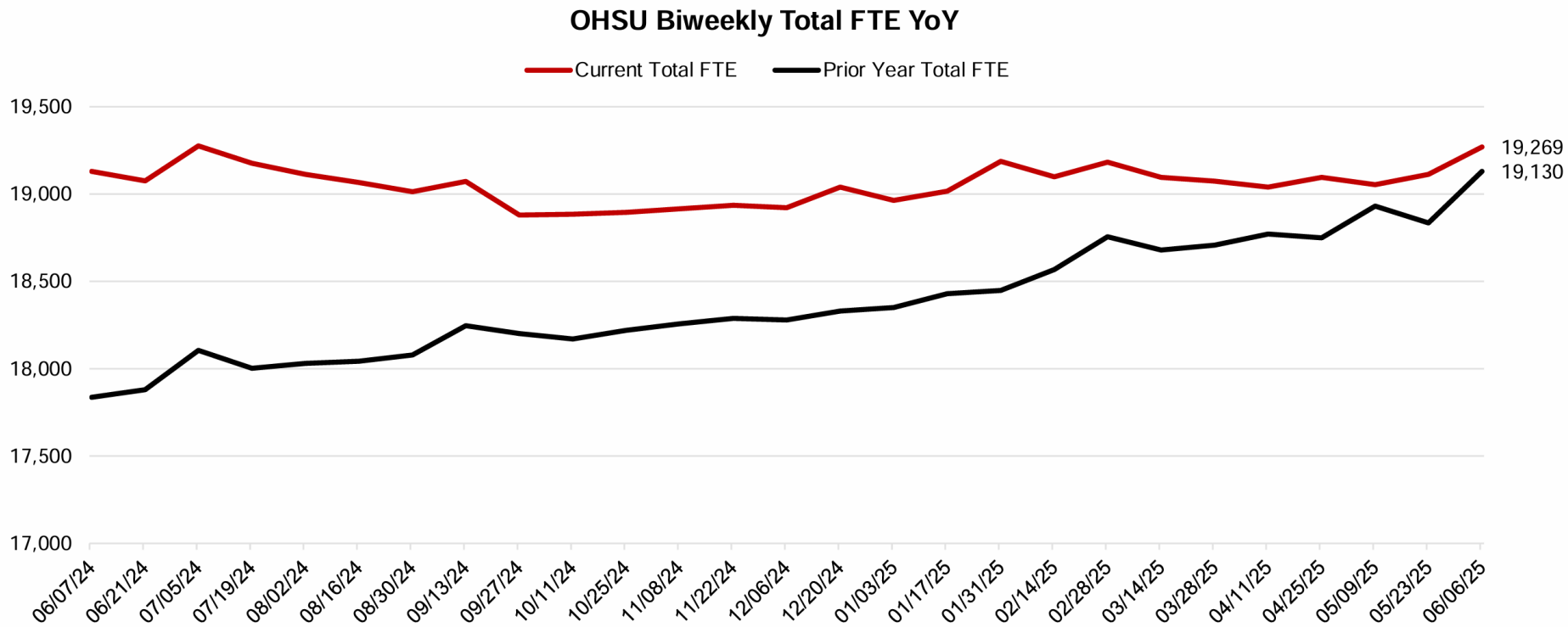
Patient Activity	FY24	FY25	FY25	Actual	Actual
May YTD - 11 Months	Last Year	Budget	Actual	/ Budget	/ Last Year
Inpatient admissions	25,385	25,102	26,728	6.5%	5.3%
Average length of stay	7.04	7.00	6.85	-2.1%	-2.7%
Average daily census	492.5	492.0	502.2	2.1%	2.0%
Day / observation patients	44,545	45,813	47,351	3.4%	6.3%
Surgical cases	34,148	35,157	35,504	1.0%	4.0%
Emergency visits	51,557	50,218	54,571	8.7%	5.8%
Ambulatory visits	1,112,717	1,109,479	1,154,631	4.1%	3.8%
Casemix index (CMI)	2.51	2.50	2.57	2.8%	2.4%
Outpatient share of activity	58.3%	58.6%	59.4%	1.4%	1.9%
CMI/OP adjusted admissions	152,770	151,742	169,396	11.6%	10.9%
Rate-adjusted gross charges	7,285	7,809	8,177	4.7%	12.2%

Healthcare Growth Against Budget & Last Year

- Services to meet AHC-level demand are growing the fastest, with +15% actual activity growth compared to +5% budgeted (aqua line).
- The budget plan aims to meet patient needs better by allocating more physical and staffing capacity (such as beds & ORs) to cancer care and other complex subspecialty programs unique to Oregon's only AHC.
- Growth in imaging, lab & other professional services is up but not yet as much as targeted. Improving capacity, access and throughput in these services remains a major focus.

May YTD Volume Growth by Service Area (FY25 / FY24)	% of Hosp. Charges	Budgeted Growth	Actual Growth	Actual vs Budget
Non-hospital pharmacy	28%	3.1%	18.8%	15.3%
Professional (imaging, lab)	17%	7.5%	4.7%	-2.6%
Oncology services	6%	8.4%	33.6%	23.2%
Subtotal - focused growth areas	51%	(5.2%)	(15.1%)	9.4%
Surgery & procedural	20%	3.2%	7.8%	4.4%
All other hospital services	29%	13.4%	10.6%	-2.5%
Subtotal - other growth areas	49%	9.1%	9.4%	0.3%
Rate-adjusted gross charges	100%	7.2%	12.2%	4.7%

Year-over-Year Growth in FTEs is Flattening Out



Cash Off \$(260)M with QDP Payment Delay

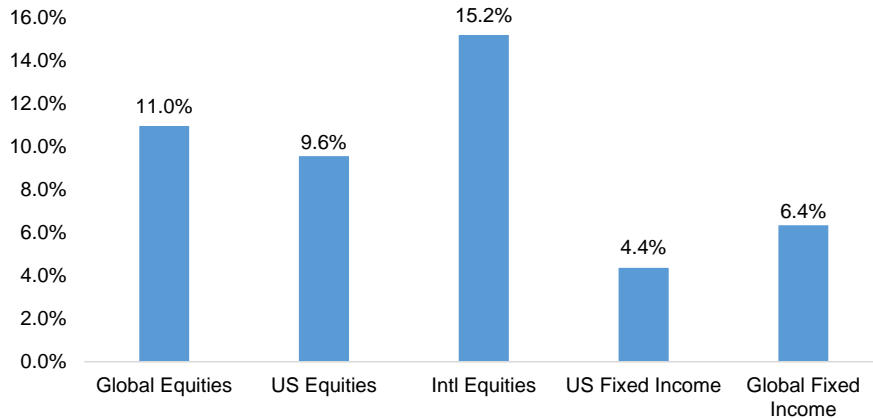
- OHSU-held cash & investments fell \$(260)m through 11 months, largely due to a delay in federal CMS approval of the IGT-QDP program for CY2025 plus the operating loss. QDP payments resumed recently.
- With this delay and higher daily expenditures, days cash on hand fell from 172 in June to 136 in May, well below Fitch medians of 270 days for AA and 205 for A credits.

Balance Sheet (millions)	6/30/24	5/31/25	11-Month Change
OHSU-held cash & investments	\$1,460	\$1,200	\$(260)
OHEP construction fund	111	0	(111)
Net property, plant & equipment	2,414	2,577	162
Interest in OHSU Foundation	1,546	1,533	(13)
Long-term debt	(1,336)	(1,328)	8
PERS pension liability	(513)	(513)	0
Working capital & GASB 101	597	576	(21)
Consolidated net worth	\$4,278	\$4,044	\$(234)
Operating income (loss)			(106)
GASB 101 implementation			(255)
OHSU investment return			124
Grant & gift funded capital			0
Foundation gain (loss)			(13)
Release of surplus note reserve			17
Other non-operating items			(0)
YTD change in net worth			\$(234)

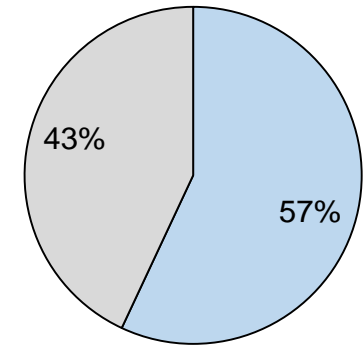
FY25 May YTD Cash Flow	(millions)
Operating income	\$(106)
Depreciation	200
Investment return	124
Construction funds applied	111
Grant & gift funded capital	0
Sources of cash	329
Debt & capital leases repaid, net	(8)
Capital spending	(363)
QDP approval delay	(190)
Other working capital, net	(28)
Uses of cash	(589)
Net cash flow	\$(260)
<i>6/30/24 Days cash on hand</i>	<i>172</i>
<i>5/31/25 Days cash on hand</i>	<i>136</i>
<i>Fitch Ratings AA median</i>	<i>270</i>
<i>Fitch Ratings A median</i>	<i>205</i>
<i>(Special Report, August 12, 2024)</i>	

FY25 May YTD Investment Returns Up 6.7%

Major Index Returns (YTD)



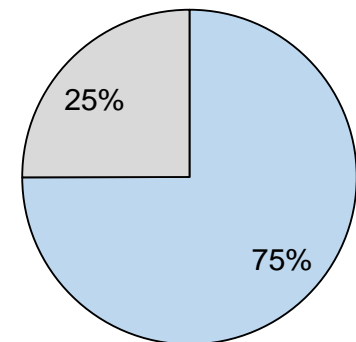
Asset Allocation – OHSU-Held Funds



Equity Fixed Income

Asset Pool	6/30/2024 Balance	5/31/2025 Balance	FY25 YTD TR (%)	Benchmark YTD TR (%)
OHSU-Held Funds				
Short-Term Asset Pools	442,811	213,122	4.9%	5.0%
Long-Term Asset Pools	1,150,444	986,192	8.5%	9.0%
Other Asset Pools	113,890	125,056	13.9%	13.9%
Total OHSU Assets	\$1,707,146	\$1,324,370	8.0%	8.3%
Foundation-Held Funds*				
Non-Endowment Asset Pools	186,551	241,495	6.3%	6.0%
Endowment Assets	1,449,688	1,390,133	5.4%	9.8%
Total Foundation Assets	\$1,636,239	\$1,631,628	5.5%	9.3%
Total OHSU Investable Assets	\$3,343,385	\$2,955,998	6.7%	8.8%

Asset Allocation – Foundation-Held Funds

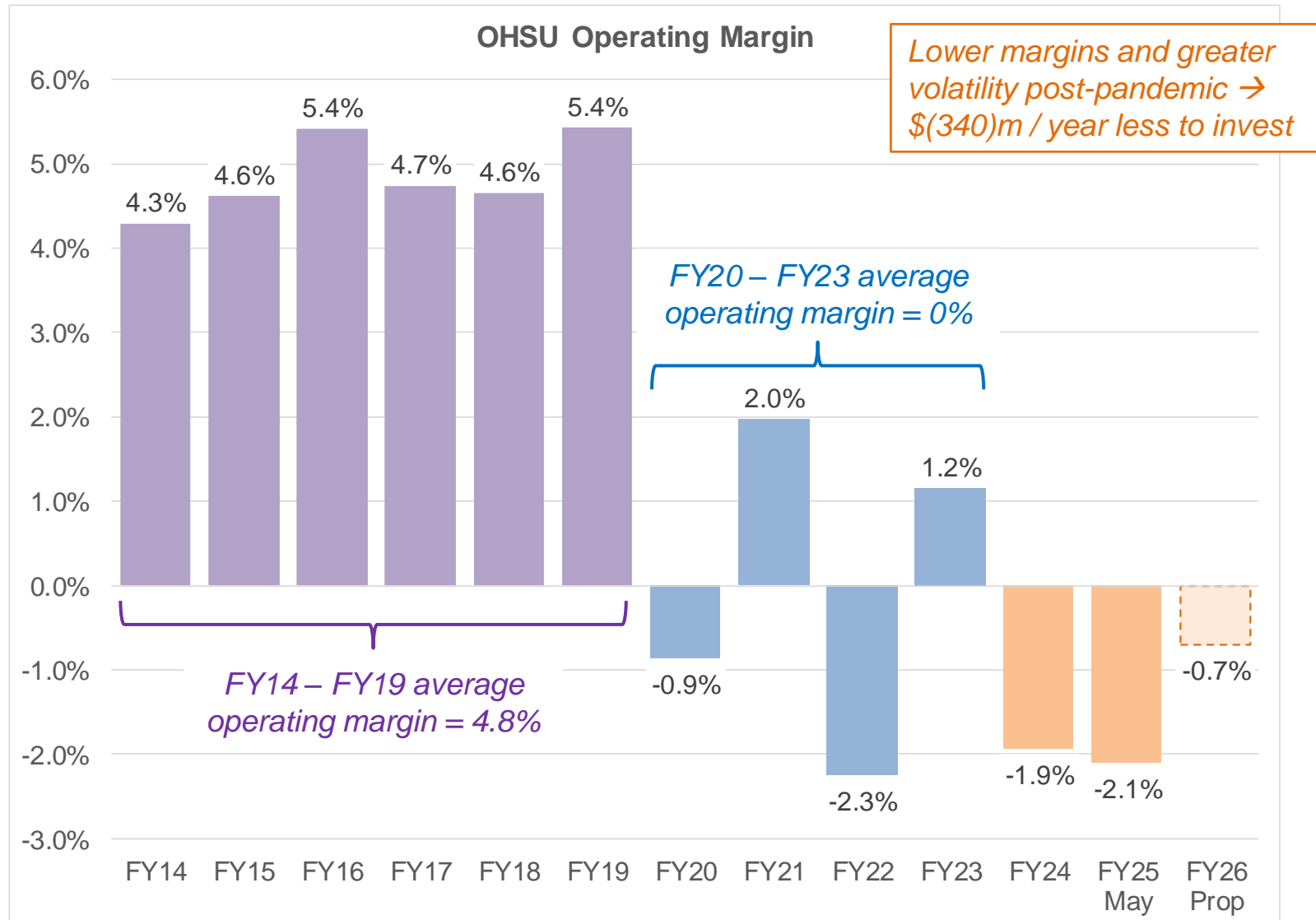


Equity Fixed Income

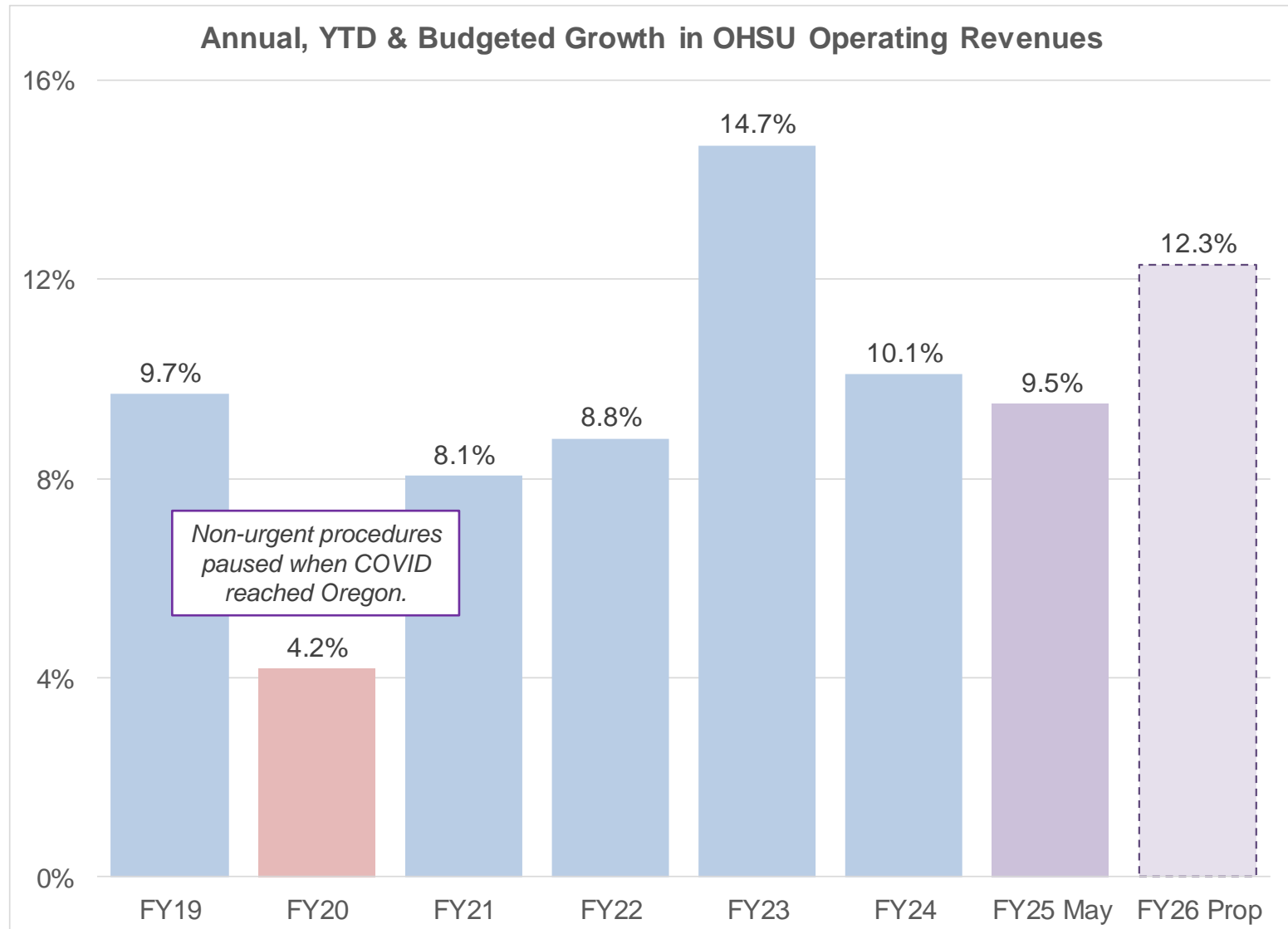
* Foundation preliminary actual and benchmark return calculated by OHSUF staff, with NAV sourced from investment managers.



Margin to Invest in People, Programs & Places



Demand for OHSU Missions Remains Very Strong



FY24 includes \$43.5m of prior-year Medicare 340b recovery.

Core Assumptions for Rate, Cost Inflation & Volume

- This table summarizes core assumptions for payment rate growth, unit wage & cost inflation (first column) as well volume and variable cost increases (second column).
- If OHSU provided the exact same services across patient care, research and education, in the exact same manner next year as this year, we would expect revenues to grow by a weighted average of 3.4% and expenses to grow by 6.0%.
- Instead, we expect core activity (before special focus to increase complex care above trend) to increase by a weighted average of 4.2% and variable cost (added staff, drugs, and other supplies needed to meet trended higher volume) to increase by 2.8%.
- Trended revenues would increase by a compounded 7.7% but expenses by 9.0%, a gap that would increase losses by a net of \$(80)m absent corrective actions.

FY26 Budget Assumptions	Rate / Cost Inflation	Volume / Var Cost	Combined Impact
Patient care	4.0%	5.0%	9.2%
Research & education	2.0%	2.0%	4.0%
Total revenues	3.4%	4.2%	7.7%
Salaries & benefits	7.4%	3.2%	10.9%
Rx & medical supplies	5.0%	5.0%	10.3%
Other services & supplies	2.0%	1.6%	3.6%
Depreciation & interest	4.0%	0.0%	4.0%
Total expenses	6.0%	2.8%	9.0%

Over 2 Years Revenue Grows 23% & Expense 21%

OHSU Income Statement (millions)	FY24 Actual	FY25 Adj Budget	FY25 May Annualized	FY26 Prop Budget	2-Yr Growth FY26/FY24
Net patient revenue	\$3,405	\$3,802	\$3,771	\$4,384	28.7%
Medical contracts	185	208	196	225	21.9%
Healthcare other revenue	256	213	283	306	19.8%
Subtotal - clinical	3,846	4,223	4,250	4,915	27.8%
Grants & contracts	580	591	575	566	-2.3%
Gifts applied	121	131	134	122	0.3%
Tuition & fees	81	84	85	89	9.2%
Non-healthcare other revenue	71	53	65	47	-34.3%
Subtotal - academic & other	853	859	858	824	-3.5%
Subtotal - State support	293	380	380	411	40.2%
Total operating revenues	4,991.8	5,462	5,489	6,149	23.2%
Salaries & benefits	3,172	3,390	3,416	3,755	18.4%
Rx & medical supplies	998	1,079	1,176	1,134	13.7%
Other services & supplies	708	730	748	1,031	45.7%
Depreciation & interest	255	270	263	274	7.3%
Total operating expenses	5,133	5,469	5,602	6,194	20.7%
Adjusted operating income	(141)	(7)	(114)	(45)	-68.1%
Adjustments made*	44	(18)	0	0	-100.0%
Total operating income (loss)	\$(97)	\$(25)	\$(114)	\$(45)	-53.8%
<i>*\$43.5m 340b recovery in FY24 and \$18.1m RIF cost in FY25 budget booked in FY24.</i>					

2025-26 Proposed Entering Class Tuition

The table below outlines the proposed 2025-26 entering class tuition increases for select programs. The Provost will present the full tuition & fee book at the Board meeting.

	Tuition Increase	Resident Tuition	Non-Resident Tuition	OHSU Fees	Resident 2025-26 Total	Non-Resident 2025-26 Total
Medicine – MD ¹	2%	\$48,972	\$75,280	\$10,670	\$59,642	\$85,950
Dentistry – DMD ¹	2%	\$50,924	\$82,188	\$20,963	\$71,887	\$103,151
Medicine – Physician Assistant ¹	2%	\$45,000	\$45,000	\$11,505	\$56,505	\$56,505
Medicine – Human Nutrition & Dietetic Internship ²	2%	\$30,312	\$30,312	\$9,039	\$39,351	\$39,351
Medicine – Radiation Therapy ²	2%	\$18,936	\$22,788	\$9,039	\$27,975	\$31,827
Nursing – Undergraduate 3-Year Bachelor ²	2%	\$15,912	\$29,196	\$9,039	\$24,951	\$38,235
Nursing – Undergraduate Accelerated Bachelor ¹	2%	\$36,660	\$48,960	\$11,505	\$48,165	\$60,465
Nursing – Graduate Nurse Practitioner ²	2%	\$25,668	\$33,336	\$9,039	\$34,707	\$42,375
Nursing – Graduate Nurse Anesthesia ³	2%	\$42,672	\$44,448	\$11,505	\$54,177	\$55,953

¹Based on four terms of enrollment

²Based on three terms of enrollment at 12 credits each — actual enrollment may vary

³Based on four terms of enrollment at 12 credits each — actual enrollment may vary

Proposed 2025-26 Change in Full-Time Tuition

	Approx. Terms of Attendance	Percent Increase	2025-26 Resident Tuition	2025-26 Non-Res Tuition
Returning Tuition Promise Programs				
MD 2nd Year	4	0%	\$12,003	\$18,451
MD 3rd Year	4	0%	\$11,768	\$18,089
MD 4th Year	4	0%	\$11,537	\$17,734
MD/MPH 2nd Year	4	0%	\$11,033	\$16,942
MD/MPH 3rd Year	4	0%	\$10,831	\$16,623
MD/MPH 4th Year	4	0%	\$10,619	\$16,297
MD/MPH 5th Year	4	0%	\$10,411	\$15,980
DMD 2nd Year	4	0%	\$12,481	\$20,144
DMD 3rd Year	4	0%	\$12,236	\$19,749
DMD 4th Year	4	0%	\$11,996	\$19,361
Human Nutrition	4	0%	\$7,434	\$7,434
Physician Assistant	4	0%	\$11,034	\$11,034
Radiation Therapy	4	0%	\$6,192	\$7,452
Undergraduate Nursing Accelerated Bachelor	4	0%	\$7,188	\$9,600
Undergraduate Nursing	3	0%	\$5,208	\$9,552
Graduate Nurse Practitioner	4	0%	\$6,291	\$8,172
Graduate Nurse Anesthesia	4	0%	\$7,848	\$8,172
Tuition Promise Programs (First Year Students)				
MD	4	2%	\$12,243	\$18,820
MD/MPH	4	2%	\$11,254	\$17,281
DMD	4	2%	\$12,731	\$20,547
Human Nutrition	3	2%	\$7,578	\$7,578
Physician Assistant	4	2%	\$11,250	\$11,250
Radiation Therapy	3	2%	\$6,312	\$7,596
Undergraduate Nursing Accelerated Bachelor	4	2%	\$7,332	\$9,762
Undergraduate Nursing	3	2%	\$5,304	\$9,732
Graduate Nurse Practitioner	3	2%	\$6,417	\$8,334
Graduate Nurse Anesthesia	4	2%	\$8,001	\$8,334

Proposed 2025-26 Change in Full-Time Tuition

Non-Tuition Promise Programs	Approx. Terms of Attendance	Percent Increase	2025-26 Resident Tuition	2025-26 Non-Res Tuition
Dental Graduate	4	2%	\$12,494	\$14,882
Dietetic Internship	3	2%	\$7,578	\$7,578
Food Systems & Society	3	2%	\$6,813	\$6,813
SoM PhD	3	2%	\$7,406	\$7,406
Biomedical Informatics On Campus	3	2%	\$6,930	\$8,289
Biomedical Informatics Distance Learning	3	2%	\$7,700	\$9,085
Clinical Research or Human Investigations	3	2%	\$5,292	\$5,292
MBA or MS in Healthcare Administration	3	2%	\$6,048	\$6,048
Medical Physics	3	2%	\$6,057	\$9,675
Undergraduate Nursing RN/BS	3	2%	\$3,852	\$3,852
Nursing PhD, DNP in Nursing, Health Systems Org Leadership, Nursing Education	3	2%	\$6,300	\$8,172
On-Campus MPH or Programs in Biostatistics	3	2%	\$4,374	\$6,669
SPH PhD	3	2%	\$5,661	\$6,606
Online MPH or Certificate in Public Health	3	2%	\$5,778	\$7,479

Direct Margin in Healthcare + School of Medicine

- The largest changes from year to year and actual to budget occur in the direct margin of Healthcare + School of Medicine, which the CEO and Dean now budget together in an ongoing, highly integrated process that doesn't stop when the budget is approved.
- Direct margin is total revenues minus directly managed salaries & benefits, supplies & services, but before depreciation, interest, or central overhead.
- The FY25 budget assumed a \$167m or 76% improvement from FY24 but this proved too optimistic given Oregon's healthcare regulatory environment and partner losses.
- The FY26 target starts from this year's actual base then assumes a 51% improvement with heightened focus on complex care, reduction in losses at partner sites, and tight management of personnel costs.

Healthcare + School of Medicine (millions)	FY24 Actual	FY25 Adj Budget	FY25 May Annualized	FY26 Prop Budget	FY26 Prop / FY25 Ann
Operating revenues	\$4,130	\$4,526	\$4,543	\$5,210	14.7%
Salaries & benefits	2,545	2,724	2,743	3,070	11.9%
Rx, supplies & services	1,364	1,415	1,565	1,784	14.0%
Direct expenses	3,909	4,139	4,308	4,854	12.7%
Adjusted direct margin	\$221	\$388	\$236	\$355	50.9%
Adjustments made*	44	(9)			
Total direct margin	\$264	\$378			
*\$43.5m 340b recovery in FY24 and \$9.2m Healthcare RIF cost in FY25 budget booked in FY24.					

Healthcare + School of Medicine Initiatives

- The combined Healthcare + School of Medicine budget continues to expand OHSU's complex care strategy to support oncology, neuroscience, cardiac, and other highly acute patients focusing on what academic medical centers do best.
- Key initiatives include:
 - Shifting an additional 25 Inpatient beds to oncology services for a total of 125 beds devoted to the cancer service line, targeting an average daily census of 115.
 - Growing pharmacy services by increasing take home prescriptions, implementing a new Multi-Step Order Transmittal (MSOT) Epic tool, expanding infusion services to support oncology and neurology growth, and expanding home infusion of specialty medications.
 - Opening the Vista Pavilion with early recruitment, staff orientation, and minor equipment purchases.
 - Expanding night and weekend operating room hours and opening the Doernbecher hybrid OR to increase patient throughput.
 - Expanding imaging service hours across sites to support MRI, PET/CT, CT, and screening mammography volumes.
 - Reducing hospital loss at Hillsboro Medical Center to \$(6)m with \$366m of revenue and \$372m of expense.

Healthcare + School of Medicine (continued)

- Supporting these strategies in an environment where the costs of achieving our missions far exceed funding, the FY26 budget includes a balance between cost saving strategies and investment.
- Faculty recruitments and incentives are budgeted with a particular focus on expansion in Oncology, Neuroscience, Cardiac, and Anesthesia.
- Updated nursing staffing budgets reflect increased care complexity while meeting Oregon's hospital staffing laws.
- We evaluated benchmarks to ensure staffing is right-sized to volume.
- Invested in Revenue Cycle to increase coding capacity, provider education, and automated solutions for better revenue capture.
- Investments were balanced with opportunities to increase current staff productivity:
 - Worked within the framework of the faculty and provider compensation plan to set consistent and transparent expectations that align productivity with pay.
 - Aligned staff scheduling to reduce non-productive time across nursing units.
- Evaluated programmatic impacts and costs, resulting in decisions to close the Hospital at Home program and right-size the Virtual ICU program.

Opening the Vista Pavilion in FY26 Q4



60 beds close for KPV 13/14 Neuro & Cardio expansion

68 net new beds in Q4 FY26

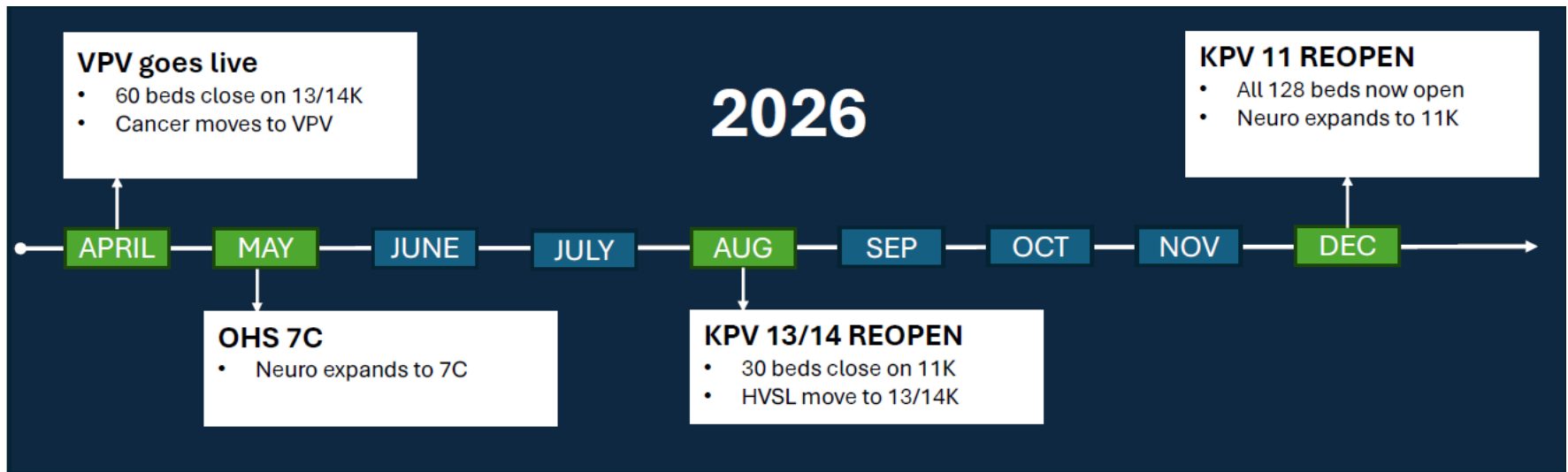
30 new beds will open with KPV13/14 in Q1 FY27

30 new beds will open with KPV 11/10 in Q2 FY27

4 shelled floors for future expansion



Vista Pavillion Go-Live Timeline in 2026



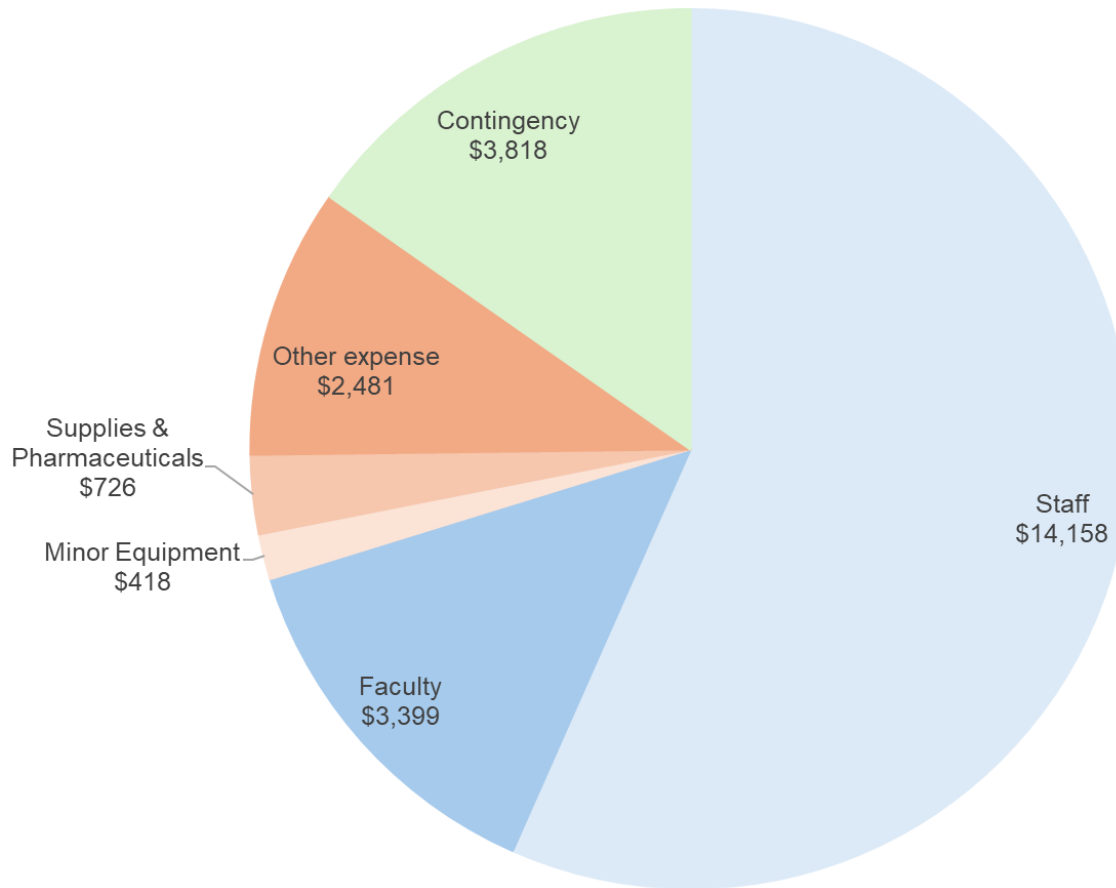
New Bed Schedule

- FY26 Q4:** 68 beds
- FY27 Q1:** 98 beds (30 incremental)
- FY27 Q2:** 128 beds (30 incremental)
- FY27 Q3:** 128 beds (0 incremental)
- FY27 Q4:** 128 beds (0 incremental)

Incremental NEW ADC post IPA Go-Live

	FY26 Q4	FY27 Q1	FY27 Q2	FY27 Q3	FY27 Q4	FY27 Average
OHSU Cancer Service Line:	5	9	10	11	11	10
OHSU Heart-Vascular Service Line:	0	15	18	20	20	18
OHSU Neuroscience Service Line:	4	8	12	16	20	14
Complex Care	21	20	22	22	20	21
Total	30	52	62	69	71	64
	IPA GO-LIVE	13/14K GO-LIVE	11K GO-LIVE			

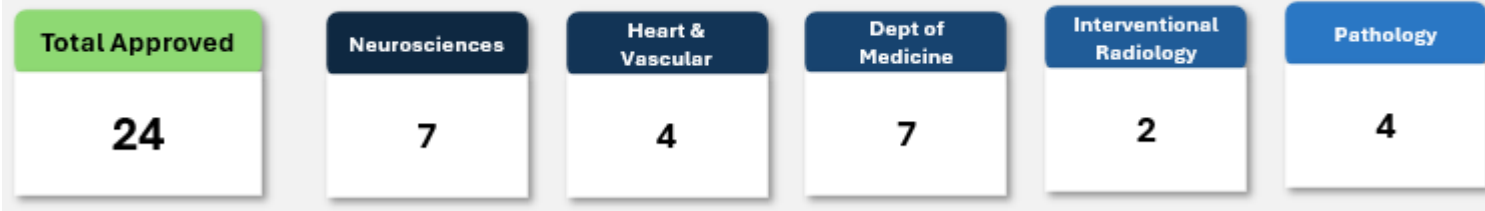
\$25M Vista Pavillion Start-Up Costs in FY26 Budget



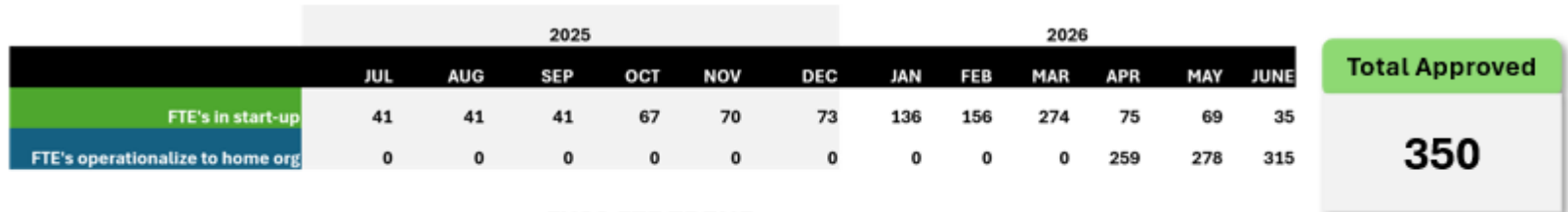
Vista Pavillion FY26 Staffing Plan

There are 350 new staff in Healthcare and 24 new faculty recruitments planned to support the net new 68 beds opening FY26 Q4.

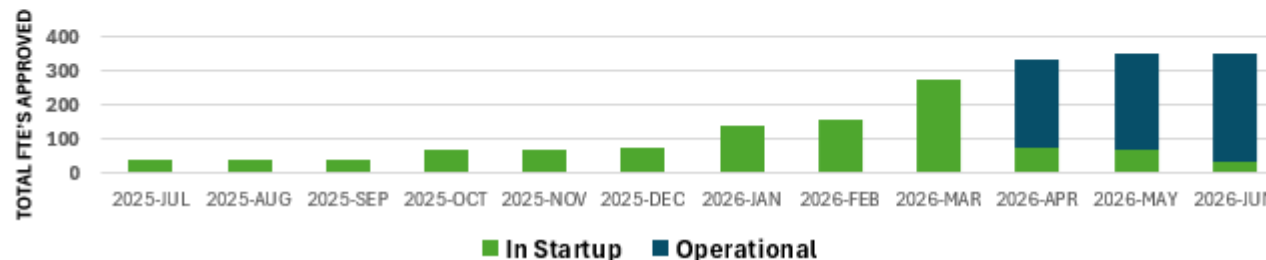
FY26 Vista Pavilion Faculty Recruitment



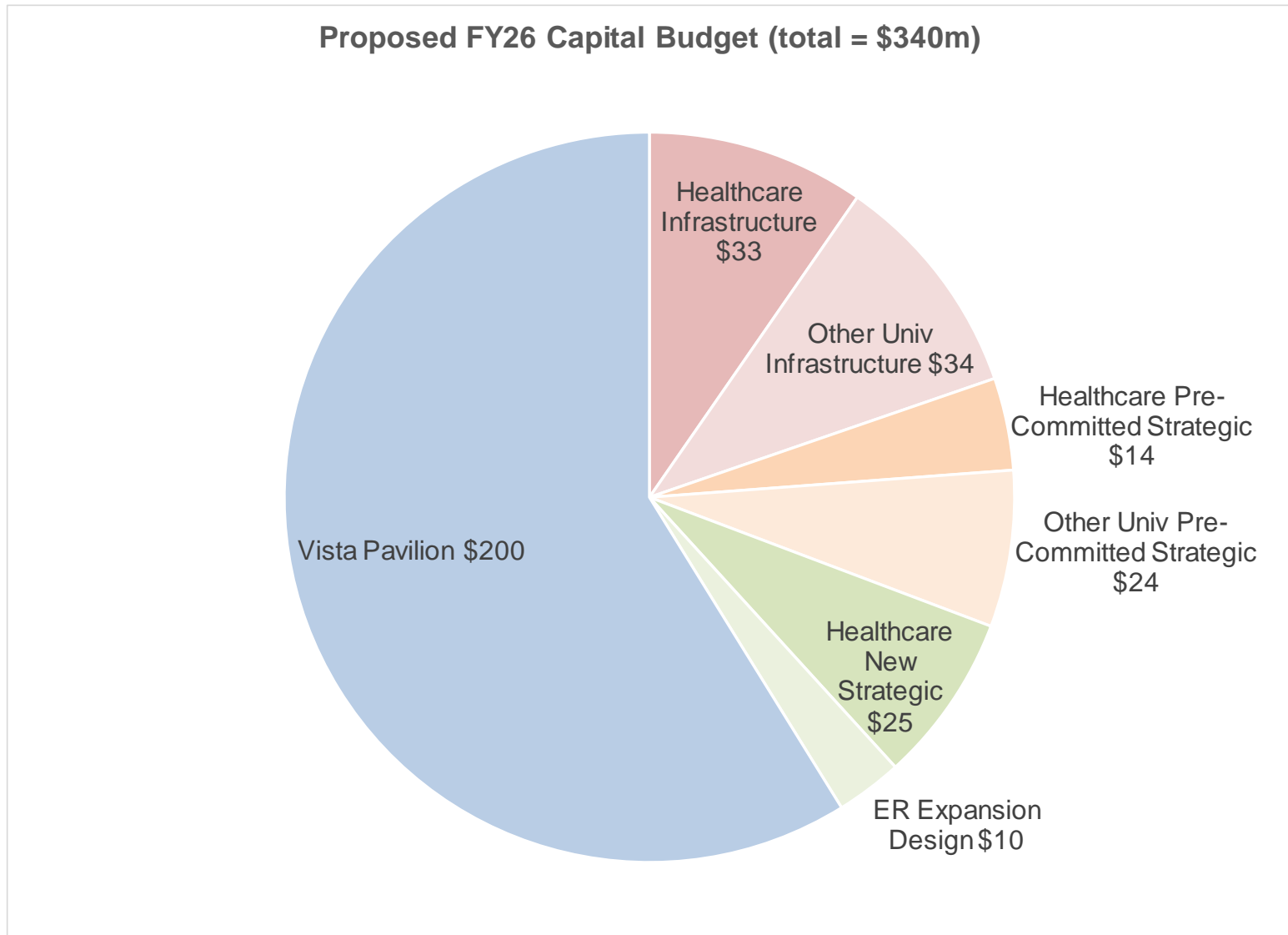
FTE'S APPROVED IN FY26 HEALTHCARE



FY26 FTE TREND



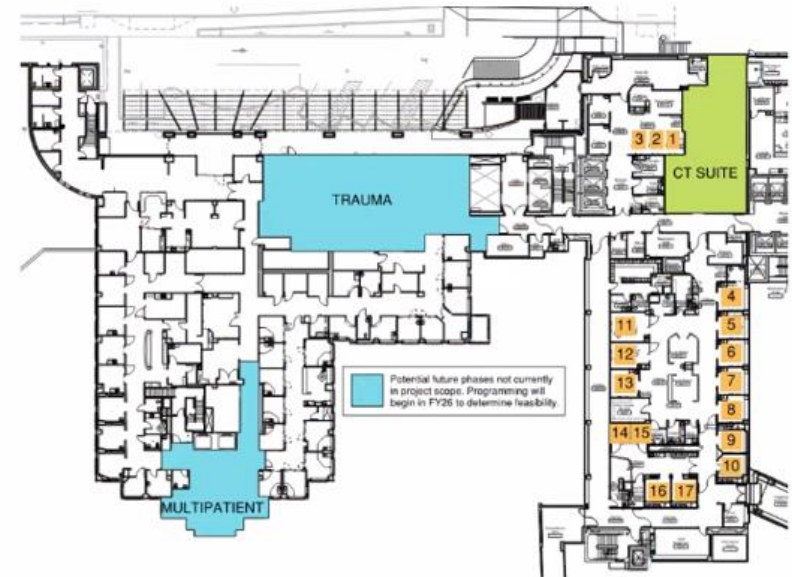
FY26 Capital Projects by Category



Emergency Department Expansion - \$55M Project



Goal: *The goal of the ED Expansion Project is to expand ED capacity, improve patient and staff safety, and improve our capability to continually provide excellent clinical care to Oregonians.*



SCOPE

- Pediatric patient bays increase from 10 to 17
- A new pediatric ED entry, waiting and triage area
- Expanded trauma rooms
- Adult patient bays increase from 27 to (38-42)

Rationale for \$5M+ Multi-Year Capital Projects

- *DCH Hybrid OR Cath Lab - \$14.4 million project*
Increases pediatric surgical and cath services capacity while also improving patient safety. The project looks to build out an existing shelled space for a Hybrid Operating Room and Catheterization Lab.
- *Patient Food Service IPA Tray line - \$9.0 million project*
Construct a temporary patient food service tray line on level 9 in Vista Pavilion until a major renovation of the existing OHS 3rd floor cafeteria is complete. The IPA Tray line will then be converted into a retail café.
- *Steam Vault 18 - \$11.4 million project*
An underground steam vault located between Baird Hall and Dillehunt Hall, is structurally failing. Vault will be replaced along with the addition of an underground tunnel to support new steam lines creating a redundant system which will allow quick repairs and complete the steam loop.
- *Kohler Pavilion KPV Unit Backfill Projects - \$9.8 million project*
Existing units in KPV 11, 13 and 14 will move into Vista Pavilion. Cardiovascular Intermediate Care currently located on KPV11 will relocate and expand into KPV 13 and 14. Neurosciences currently located on KPV10 will expand into KPV11.
- *“A-Wing” Air Handler Upgrade - \$9.3 million project*
Address deficiencies of existing air handling units within the mechanical penthouse, serving the A-wing of OHSU South Hospital. Both units are at end-of-life.

Rationale for \$5M+ Projects (continued)

- *Marquam Hill nonconforming site improvements - \$16.7 million project*
Brings existing areas on Marquam Hill into compliance with certain zoning codes as part of an agreement with the city of Portland, facilitating the permitting of other facility projects at OHSU.
- *Mt. Hood infusion clinic expansion (Community Hematology-Oncology) - \$9.1 million*
Expanding clinical and infusion space for the Mt. Hood (Gresham) Community Hematology Oncology practice and treatment unit. This project is part of the OHSU Knight / Legacy Health Cancer Collaborative and allows the site to double in size.
- *GI Lab future inpatient relocation - \$16.9 million project*
Relocates inpatient endoscopy and bronchoscopy units and non-invasive cardiology from old buildings to modern space appropriate for patient care in Hatfield Research Center 11th floor.
- *OR lights, booms & integrations replacement- \$16.1 million project*
Replacement of integration systems in surgical suites for video capabilities and endoscopic components, in addition to the replacement of surgical lights and booms in OR space throughout OHSU.

Proposed FY26 Capital Budget Detail

FY26 Capital Budget (000)	OHSU Healthcare	Other University	Total OHSU		OHSU Healthcare	Other University	Total OHSU
Infrastructure				New strategic priorities			
Infrastructure / replacement	\$32,019	\$20,583	\$52,602	Doernbecher hybrid OR	\$7,785	-	\$7,785
Library materials / Academic areas	774	5,850	6,624	Hillsboro Medical Center Neuro expansion	3,000	-	3,000
Research equipment replacement	-	750	750	Vista Pavilion Nutrition Services tray line	8,104	-	8,104
Flexible workspace	-	1,575	1,575	Neuroscience unit expansion (Kohler 11)	1,080	-	1,080
School of Medicine equipment replacement	-	400	400	Cardiovascular ICU expansion (Kohler 13/14)	3,600	-	3,600
Public Safety and Administration	-	250	250	South Hospital A wing air handler upgrade	1,893	-	1,893
Institutional contingency / infrastructure	-	4,857	4,857				
<i>Subtotal infrastructure / replacement</i>	<i>32,793</i>	<i>34,265</i>	<i>67,058</i>	<i>Subtotal new strategic priorities</i>	<i>25,462</i>	<i>-</i>	<i>25,462</i>
				Total FY26 annual capital allocation	72,159	57,841	130,000
Strategic priorities - pre-committed				Vista Pavilion (IPA) completion			200,000
Parking garage C (ED) infrastructure updates	-	1,100	1,100	Emergency Department expansion - design			10,000
PGE feeder utility connection	-	2,000	2,000				
Security cameras for parking structures	-	1,000	1,000	Total FY26 capital budget			\$340,000
Parking garage C - Utility vault upgrade	-	9,800	9,800				
Research equipment from grants	-	5,000	5,000				
Kronos UKG Dimensions software upgrade	-	1,576	1,576				
Marquam Hill nonconforming site improvements	-	1,850	1,850				
Partnership project (lease consolidation)	-	1,000	1,000				
West Campus drain piping replacement	-	250	250				
OR lights, booms & integration replacement	7,043	-	7,043				
Mt. Hood cancer infusion clinic expansion	441	-	441				
GI Lab relocation (Hatfield 11)	6,420	-	6,420				
<i>Subtotal strategic pre-committed</i>	<i>13,904</i>	<i>23,576</i>	<i>37,480</i>				

Multi-Year Projects in Capital Budget

Multi-Year Strategic Capital Projects (000)	Total Project*	FY26 Capital Budget	FY27 & Beyond
<i>Healthcare initiatives</i>			
OR lights, booms & integration replacement	\$14,100	\$7,043	\$2,000
Vista Pavilion Nutrition Services tray line	9,000	8,104	896
Neuroscience unit expansion (Kohler Pavilion 11)	3,880	1,080	2,800
Cardiovascular ICU expansion (Kohler Pavilion 13/14)	5,880	3,600	2,280
South Hospital A wing air handler upgrade	9,300	1,893	7,407
<i>Other University initiatives</i>			
PGE feeder utility connection	\$8,000	\$2,000	\$5,500
Marquam Hill nonconforming site improvements	25,780	1,850	22,580
Kronos UKG Dimensions upgrade (timekeeping system)	3,999	1,576	446
Parking Garage C (ED) infrastructure updates	9,900	1,100	6,600

**Total project includes prior-year components.*

FY26 Budget Draws Down \$(184)M in Cash

- OHSU-held cash & investments are forecast to fall by \$(184)m, largely due to completion of the \$650m Vista Pavilion. The \$350m in bond funds borrowed in 2021 for this project was fully applied against construction costs as of mid-FY25.
- Investment income of \$70m is forecast at a 6% return, but this figure has a 10% standard deviation, so swings of plus or minus \$140m would not be unusual.
- \$425m Perinatal Addition is delayed until a funding plan can be identified.

FY26 Cash Flow	(millions)
Operating income	\$(45)
Depreciation & interest	274
Investment income at 6%	70
Capital gifts & grants	5
Sources of cash	303
Debt service	(81)
Working capital	(66)
Annual capital spending	(130)
Vista Pavilion (IPA) completion	(200)
Emergency Department expansion	(10)
Perinatal Addition (delayed)	0
Uses of cash	(487)
Sources less use of cash	\$(184)

Moving Toward a 3-Year Rolling Budget

- This year, executive leadership adopted a rolling three-year "braided" budgeting approach to foster a more iterative and integrated process between finance and operations. The intent is to create a more collaborative and responsive budgeting process that reflects both operational realities and strategic direction across all levels of the organization.
- Key updates to the process include:
 - Expanded Operational Engagement: Operational leaders were engaged earlier than in previous years, with input sessions held in January and February. Feedback from these discussions informed the development of FY26 financial targets.
 - Future-Year Target Setting Deferred: Due to time constraints and federal uncertainty, budget targets for FY27 and FY28 have not been finalized yet. Development of these future-year targets will begin in Q1 of FY26, incorporating current financial performance and budget insights.
 - Continuing Focus on budget performance and risks, not waiting until mid-year.
- This phased, braided approach is designed to integrate real-time operator feedback from early fiscal performance, keep departmental budgets aligned with long-term strategic priorities, and to address risks, gaps and a changing environment earlier.
- Additional details will be shared early in Q1 FY26.

Conclusion

- In FY19, the last pre-pandemic year, OHSU salaries & benefits were 57.9% of revenues and the operating margin was +5.4%.
- Today, salaries & benefits are 62.2% of revenues and the operating margin is -2.1%, despite strong top-line growth.
 - The increase in compensation as a share of revenue equates to \$235m on this year's bottom line.
- This pattern reflects post-pandemic inflation on wages and other costs that is not reflected in payment rates, combined with the financial impact of Oregon's new hospital staffing and patient financial assistance laws—bills we supported and now need to fund.
- Through focus on complex care programs and services unique to academic health centers, holding employees in Unclassified Administrative and faculty roles salary growth low while also reducing positions, the FY26 budget aims to keep the negative operating margin to below -1%.
- While over time we must scale OHSU's missions and services to the resources available, more cuts than currently planned would result in excessive damage now.
- As a consequence, OHSU can fund fewer capital projects (across infrastructure, strategic initiatives, and major facilities) while still drawing down cash balances otherwise intended for investment in the future.

Audit & Advisory Services Update

OHSU Finance & Audit Committee

Joe Holmes, CPA
Director, Audit & Advisory Services

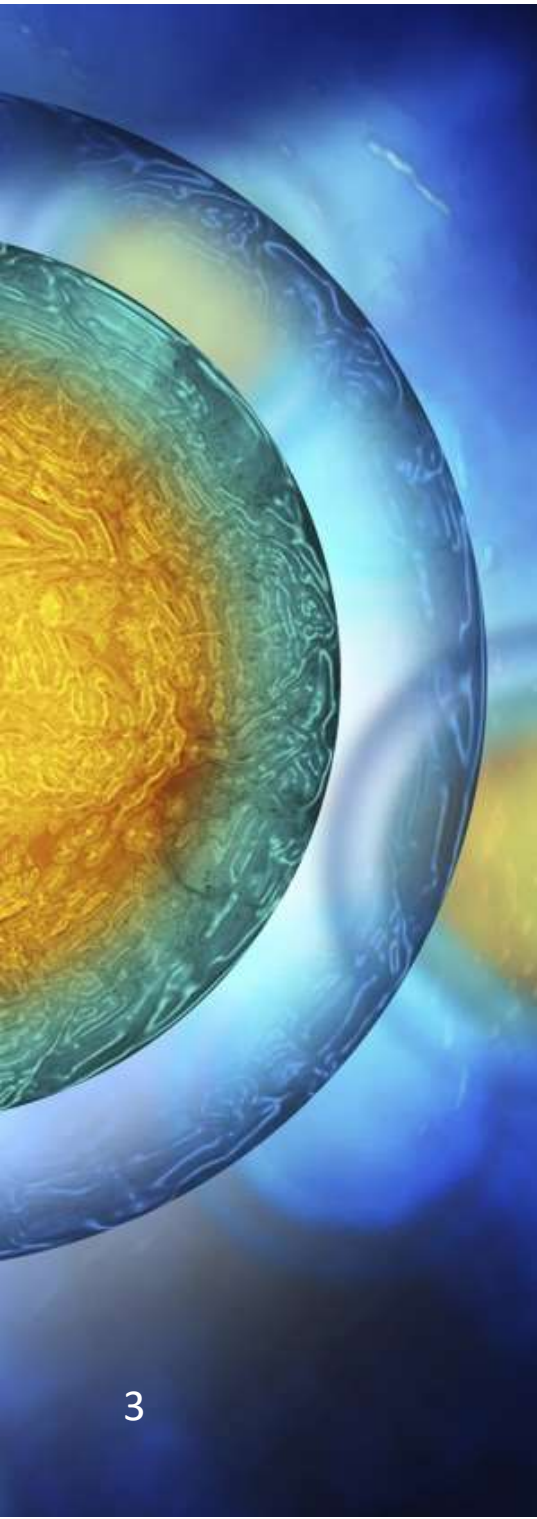
June 26, 2025



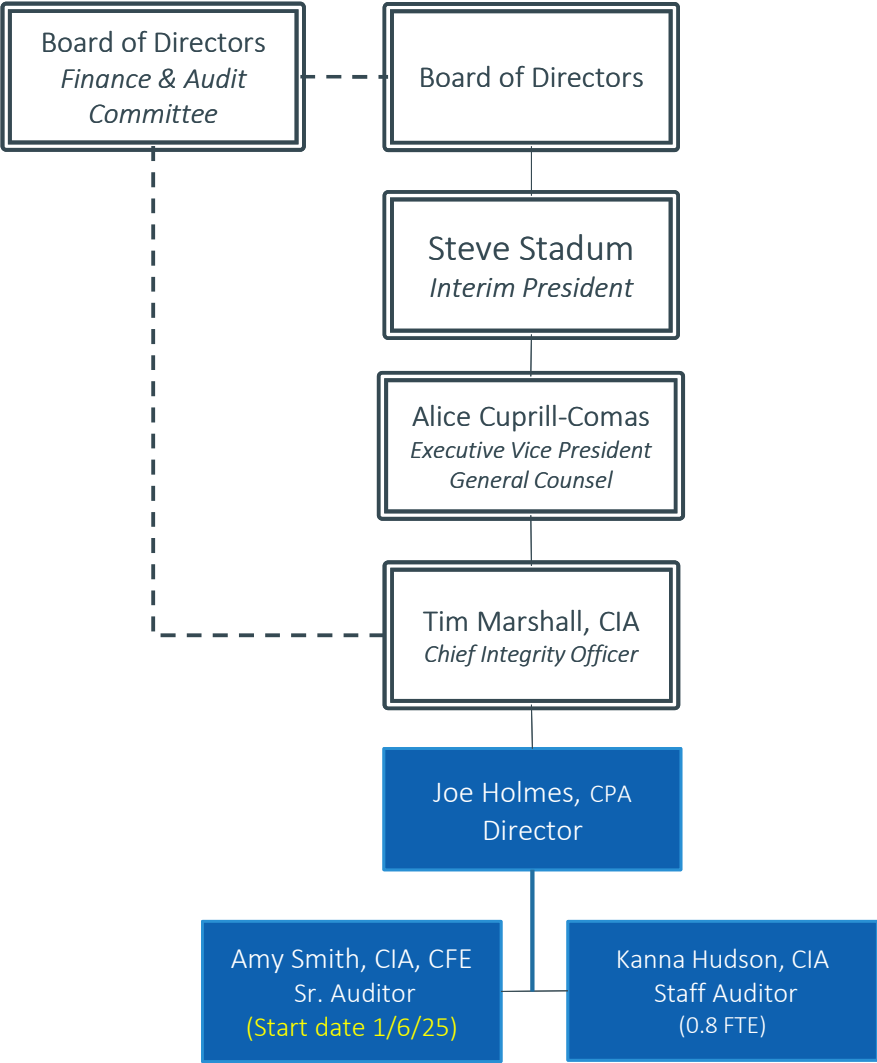


Presentation Overview

- FY25 Audit Project Plan Update
- Proposed FY26 Q1Q2 Audit Project Plan and Updated Risk Theme Summary
- A&AS Strategic Plan Presentation
- Open Discussion and Wrap Up



A&AS Org Chart





FY25 Audit Project Plan Update



Phases of an A&AS Project

PLANNING

- Obtain process documentation and gain understanding
- Fraud considerations
- IT risk considerations
- Diversity, equity, and inclusion assessment
- Risk and control matrix and analysis
- Project fieldwork kickoff meeting
- Scope, timing, and project objective(s) finalization
- Development of testing procedures

FIELDWORK

- Documentation requests and review
- Control testing and substantive procedures
- Data analysis and analytic procedures
- Development of initial conclusions and findings

REPORTING

- Draft report issued to process level owners
- Conclusions and findings validated, and management responses requested
- Exit meetings with stakeholders
- Final report issuance

FY25 Audit Project Plan Progress

As of June 13, 2025

Project	Status	Project Summary & Objectives	% Complete
Audit OHEP Inpatient Addition (IPA) Diversity Goals Data Calculation and Reporting	COMPLETE	<ul style="list-style-type: none"> ● Determination of whether the design of goals, and calculation and reporting of results, complies with contractual requirements and OHSU policies. ● Determination of whether calculations are complete and accurate and agree with reported results. 	100%
Advisory Service 2024 Sunshine Data Analysis	COMPLETE	Prepare and analyze Centers for Medicare & Medicaid Services (CMS) data to support the Conflict-of-Interest program, in coordination with Research Integrity.	100%
Advisory Service Bayh-Dole Compliance Assessment	COMPLETE	Analysis of risks and potential process and control improvements to support adherence to Bayh-Dole requirements as result of risk assessment performed during planning phase. Process and control enhancement opportunities communicated to Tech Transfer team in a management memo format. No additional testing planned.	100%
Audit Vendor & Contract Management: TriZetto EDI billing services	COMPLETE	Evaluation of risk and recovery protocols in place in the event TriZetto suffers from a cyberattack. <ul style="list-style-type: none"> ● Business impact analysis and risk assessment ● Continuity and disaster recovery planning ● Backup and data recovery procedures [as applicable] ● Alternative service arrangements and/or contingency plans ● Communication and coordination ● Training and awareness ● Vendor management and contractual obligations 	100%
Advisory Service Decentralized Billing Review	COMPLETE	To assess processes and systems used by self-billing departments to track revenue-generating activities, ensuring the completeness, accuracy, and timeliness of recording. Alignment with underlying contracts or established billing rates will be reviewed. Risk focus areas as follows: <ul style="list-style-type: none"> ● Unrecognized revenue and unreported A/R ● Unreliable budget data ● Potential for misappropriation of cash ● Segregation of duties risks ● Revenue write off errors 	100%



FY25 Audit Project Plan Progress (continued)

Project	Status	Project Summary & Objectives	% Complete
Advisory Service Protection of Minors on Campus Review [Added in Q3 per management request]	COMPLETE	To enhance compliance, accountability, and the overall safety framework for minors participating in campus activities by evaluating policies, procedures, and controls to mitigate safety, compliance and risks at OHSU.	100%
Investigation Investigative Assistance Project [Added in Q3 per management request]	COMPLETE	Investigative services include examining suspected irregularities reported by stakeholders, identified in audits, or raised by management. A&AS aims to verify facts, conduct an objective and confidential review, and recommend corrective actions to prevent recurrence. This investigation is under privilege at the direction of Legal.	100%
Audit Clinical Variable Pay	FIELDWORK	To evaluate the administration of variable pay, ensuring compliance with established compensation plans and related policies. The project will compare scheduling tools with time recording systems to identify discrepancies, assess alignment with compensation practices, and recommend improvements to enhance accuracy, consistency, and transparency in pay administration.	40%
Advisory Service HB3320 Financial assistance screening process	FIELDWORK	To assess the provisions of Oregon HB 3320, focusing on operational policies, procedures, and reporting mechanisms. The project will aim to identify improvements to ensure alignment with statutory obligations and organizational goals, including internal control recommendations.	65%
Audit Vendor & Contract Management: GE Healthcare	PLANNING	To assess the efficiency and effectiveness of the vendor and contract management processes, including purchase order creation, requisition handling, and invoice approval, on a sample basis, ensuring compliance with organizational policies, and mitigation of risks. The project will aim to optimize value for both OHSU and GE, as the organizations have partnered for over a decade to advance research, enhance care, and improve outcomes through technology driven initiatives, including statewide coordination of patient care and integration of AI-driven analytics.	10%
Audit Medical Record Requests	PLANNING	To review the policies and procedures governing subpoena requests and examine the fee and collection processes, as applicable, related to record requests for compliance, accuracy, and operational efficiency.	25%
Advisory Service Vista Pavillion Project Audit: Phase 2	PLANNING	To expand upon the Phase 1 audit by incorporating additional scope areas identified for scrutiny. The audit will aim to ensure reliability of reporting, financial integrity, and provide strategic recommendations to enhance efficiency, compliance, and project success.	10%

FY25 Audit Plan Progress (Continued)

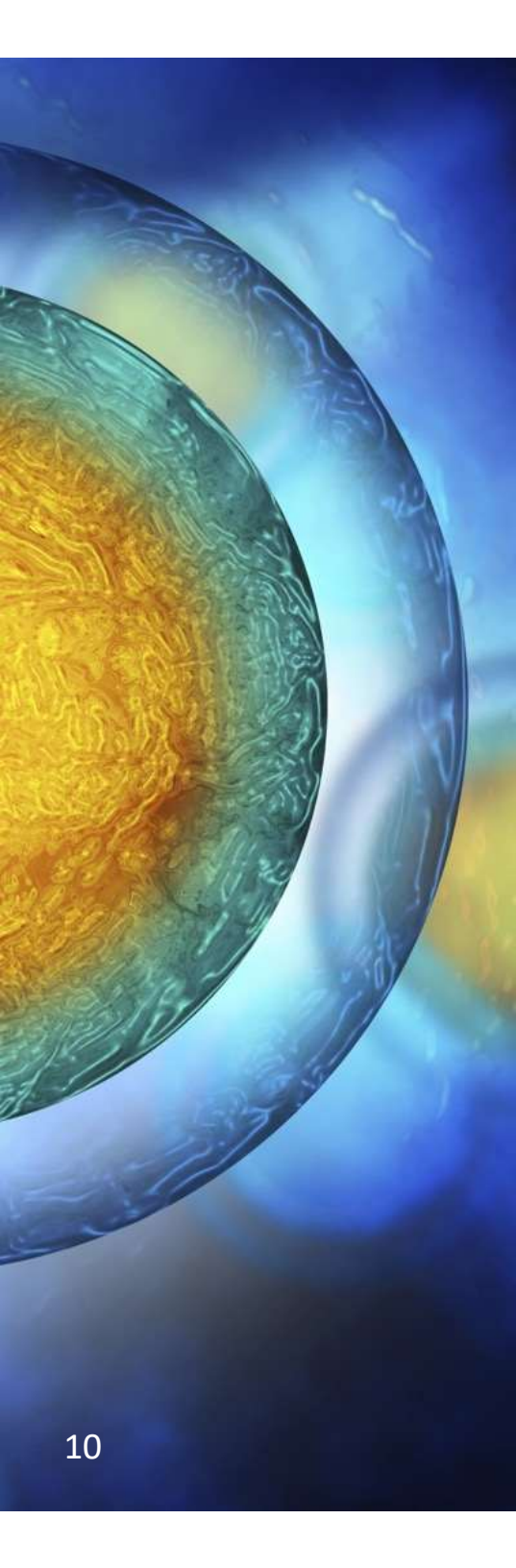
Q3Q4 Other Support Activities

SUBJECT AREA	OVERVIEW	NOTES
Deferred Clinical Research Billing and eCRIS System Replacement	To assess the effectiveness and adequacy of controls over the replacement of the eCRIS system with OnCore for clinical research billing and budgeting, ensuring proper system implementation, data migration, compliance with regulatory requirements, segregation of duties and alignment with organizational objectives.	Project has been put on hold. Scope and objectives will be reassessed in FY26.
Canceled Legacy Health Integration and Operational Readiness	A&AS will obtain an understanding of the governance framework for overseeing the integration process, including assessing stakeholder involvement, decision-making, and communication channels. A&AS will provide ongoing advisory and assurance support to address key risks early and ensure alignment between integration activities and core operational objectives.	Project incurred minimal time in Q3Q4. Lessons learned regarding integrations and mergers will be documented for future projects.
Complete NPI/EID Crosswalk Enhancement Opportunities	A&AS will provide support to evaluate processes and data sources used to develop the provider and employee identification (NPI/EID) crosswalk to recommend improvements for creating a comprehensive and dynamic process that may be leveraged for compliance purposes.	Learnings will be applied to create efficiencies for the FY26 Sunshine Data review. No additional hours will be budgeted for FY26.



A nighttime photograph of a city street, likely a bridge or elevated roadway. The scene is illuminated by city lights, with a prominent light trail from a vehicle moving across the frame. A blue semi-transparent rectangle is overlaid on the image, containing the title text. The background shows a city skyline with various buildings and streetlights.

Proposed FY26 Q1Q2 Audit Project Plan



Risk Assessment and Potential Project Watch List Development Process

A&AS employs a rolling audit plan driven by ongoing risk assessment, allowing adjustments to be made in the changing risk environment faced by the institution.

The goal of the A&AS process is to drive prioritization of projects to provide audit coverage across mission areas and deploy A&AS resources in an effective and efficient manner. The A&AS team does not serve as the institution's enterprise risk management function. The risk themes presented are not prioritized or exhaustive and may not reflect all risks facing the institution

The process incorporates research from nationwide trends and emerging risks in higher education and healthcare, review of internal resources, information from past engagements and investigations, and institutional knowledge.

The risk assessment process in support of the audit plan will continue throughout the course of FY26, with a focus on identification of potential projects to incorporate into the potential project watch list.

Updated Risk Theme Summary

- **Funding Reductions & Economic Uncertainty:** Decreased or eliminated funding, economic volatility, or adverse tariff impacts may constrain operations, limit growth, and jeopardize long-term financial sustainability.
- **Workforce Sustainability & Employee Engagement:** Staff reductions and turnover, poor engagement, limited retention strategies, and capacity constraints weaken morale, institutional memory, and continuity of operations.
- **Cybersecurity and Privacy:** Healthcare specific cyber threats are becoming more prevalent, requiring ongoing and robust cybersecurity measures, operational resilience, and privacy protections.
- **Decentralized Oversight & Governance :** Fragmented accountability and lack of coordination may lead to duplicative efforts, unmanaged risks, and reduced strategic alignment.
- **Regulatory Compliance:** Failure to comply with requirements may result in penalties, reputational damage, or loss of funding.
- **Training, Documentation & Policy Awareness Gaps:** Outdated or missing procedures, lack of role clarity, and limited staff training elevate the risk of inconsistent practices and compliance failures.
- **Operational Inefficiencies & Service Delivery:** Delayed or misrouted work, unresolved tasks, and poor coordination may degrade service quality, patient or customer satisfaction, and revenue cycle performance.
- **Change Management Risk & Disruptive Technology:** Rapid technological changes, including the use of AI, pose new challenges in maintaining operational effectiveness. System upgrade failures, data migration errors, and inadequate user support may result in disruption, inaccurate reporting, and security vulnerabilities.
- **Vendor, Supply Chain & Third-Party Risks:** Insufficient due diligence, contract enforcement, and performance monitoring increase exposure to service interruptions, compliance breaches, or financial loss.
- **Budgeting, Financial Planning & Fund Stewardship:** Budget oversight gaps, unreliable forecasts, and noncompliance with fund use policies may result in misaligned resource allocations.
- **Data Governance & Privacy Controls:** Unauthorized access or sharing, noncompliant data retention, and incomplete breach response plans elevates security, compliance, and reputational risks.

Note: The risk themes presented are not prioritized or exhaustive and may not reflect all risks facing the institution.

Proposed FY26 Q1Q2 Audit Plan

See FY26 Q1Q2 Audit Plan Summary in appendix for additional details, including potential project watch list.

PROJECT	PROJECT SUMMARY & OBJECTIVES	PROJECT TYPE	PHASE	STATUS	PROGRESS %	NOTES
FY25 Carry Forward Projects	<p>The following FY25 projects have carry forward hours allocated as part of the FY26 audit project plan. All projects are estimated for completion in Q1.</p> <ul style="list-style-type: none">Vista Pavillion Project Audit: Phase 2Clinical Variable PayVendor & Contract Management: GE Precision Healthcare					See prior slides
Sunshine Data Annual Review	To provide oversight and support to the Conflict of Interest (COI) program in its analysis of CMS data, as led by Research Integrity.	Advisory	Planning Fieldwork Reporting	In progress Not started N/A	10%	
Value Based Care Payments and Incentive Programs	To assess the processes for managing reimbursement and incentive payments received under value-based care programs. The review will focus on evaluating the accuracy of payment calculations, and effectiveness of controls to ensure timely and appropriate receipt of funds.	Assurance	Planning Fieldwork Reporting	Not started Not started Not started	0%	
AI Governance and Risks	To assess the governance framework and risk management practices surrounding the use of artificial intelligence (AI). The review will focus on evaluating compliance with relevant regulations, effectiveness of oversight mechanisms, and mitigation of risks related to data privacy, algorithmic bias, and operational reliability.	Advisory	Planning Fieldwork Reporting	Not started Not started Not started	0%	

FOR DISCUSSION PURPOSES ONLY



Proposed FY26 Q1Q2 Audit Plan (continued)

PROJECT	PROJECT SUMMARY & OBJECTIVES	PROJECT TYPE	PHASE	STATUS	PROGRESS %	NOTES
Pcard Expense Oversight and Policy Adherence	To evaluate the oversight of Pcard expenses and assess adherence to relevant policies and procedures. The review will focus on ensuring compliance with spending limits, appropriate use of funds, and the effectiveness of controls to detect and prevent misuse or discrepancies.	Assurance	Planning	Not started	0%	
			Fieldwork	Not started		
			Reporting	Not started		
Employee Engagement Risk Monitoring and Integration	To proactively integrate employee engagement risks into the ongoing risk assessment process by identifying and analyzing thematic trends and emerging concerns. Through engagement with key stakeholders, A&AS will monitor engagement-related risks and align audit activities accordingly.	Advisory	Planning	Not started	0%	
			Fieldwork	Not started		
			Reporting	Not started		
Research Restructuring Committee Support and Risk Evaluation	To support the RRC by providing financial analysis, risk assessment, and advisory services in response to funding reductions. A&AS will help evaluate the potential impact of reduced research funding, identify operational and control risks, and ensure proposed restructuring plans promote transparency, sustainability, and alignment with OHSU’s mission of research excellence.	Advisory	Planning	Not started	0%	
			Fieldwork	Not started		
			Reporting	Not started		
Quarterly Follow Up Report: Prior Project Findings	To monitor and report the status of open action plans from prior projects to assess progress toward resolution on a quarterly basis. Additionally, A&AS may re-evaluate previously closed recommendations in selected areas from prior projects, based on requests from management.	Follow Up	Follow Up	Not started	0%	

FOR DISCUSSION PURPOSES ONLY





FY26 Strategic Plan Presentation



A&AS Strategic Plan Overview and Summary

In alignment with IIA Global Internal Audit Standards (GIAS), the A&AS strategic plan supports OHSU’s missions by providing assurance and advisory services, with a focus on governance, risk, and internal controls. See the complete Strategic Plan document within the appendix for details.

Approach

- Ongoing engagement with leadership and review of strategic documentation
- Coordination with other internal assurance providers and external colleagues
- Continuous alignment with institutional priorities and emerging risks

Key Focus Areas

- Strategic and operational goal alignment
- Risk oversight and control evaluation
- Ethical culture and accountability
- Performance management and transparency

Risk Evaluation Areas

- Internal and external reporting
- Operational effectiveness and efficiency
- Regulatory and policy compliance

Strategic Philosophy: A&AS has adopted the phrase “[Historia magistra vitae est](#)” to emphasize the value of studying past events to gain wisdom and understanding, drive improvements, and prevent the recurrence of avoidable mistakes. This strategic plan is grounded in that philosophy, serving as a roadmap for advancing department priorities, reinforcing OHSU’s control environment, and supporting OHSU's missions.



OHSU MISSIONS & STRATEGY

Audit & Advisory Services
Mission & Strategy

PEOPLE

- 1.1 Risk Awareness
- 1.2 Continuing Education
- 1.3 Industry Engagement
- 1.4 Staff Certifications
- 1.5 Stakeholder Engagement
- 1.6 Culture & Inclusion

PROCESS

- 2.1 Audit Plan Execution
- 2.2 Follow-Up on Action Plans
- 2.3 Data Landscape Understanding
- 2.4 Stakeholder Feedback

TECHNOLOGY

- 3.1 Improve audit efficiency and effectiveness by leveraging technology.

A&AS Strategy -> Pillars -> Objectives -> Tactics implemented by A&AS Department



AUDIT & ADVISORY
SERVICES

Thank you

Appendix

A: Audit & Advisory Services Strategic Plan | Version 1.0 | June 2025

B: Internal Audit Plan Summary for FY26, Q1-Q2

C: Updated Potential Project Watch List & Risk Theme Mapping



“Historia magistra vitae est”

AUDIT & ADVISORY SERVICES STRATEGIC PLAN

OFFICE OF INTEGRITY

Version 1.0 June, 2025



AUDIT & ADVISORY SERVICES STRATEGIC PLAN

PREAMBLE

The Audit & Advisory Services (A&AS) department operates in alignment with the Institute of Internal Auditors' (IIA) Global Internal Audit Standards (GIAS), which emphasizes that an effective internal audit strategy must be based on a solid understanding of OHSU's governance, risk management, and internal control environment. As such, A&AS must be versed in how OHSU sets its strategic direction and operational priorities, and how accountability and ethical behavior are embedded throughout the OHSU culture. In developing this plan, A&AS will consider OHSU's approach to:

- Establishing and executing strategic and operational objectives.
- Overseeing risk management and internal control activities.
- Promoting and sustaining an ethical and transparent culture.
- Delivering performance management and organizational accountability.
- Structuring and managing key operational and leadership functions.
- Communicating risk and control information effectively across all levels.

Additionally, to assess the adequacy of risk management and control systems, A&AS will evaluate how OHSU identifies and responds to risks. This includes an understanding of how risks are assessed and mitigated in the following key areas:

- Accuracy and reliability of financial and operational reporting.
- Operational efficiency and program effectiveness.
- Protection and stewardship of institutional assets.
- Compliance with applicable laws, regulations, and internal policies.

A&AS has adopted the phrase “Historia magistra vitae est” to emphasize the value of studying past events to gain wisdom and understanding, drive improvements, and prevent the recurrence of avoidable mistakes. This strategic plan is grounded in that philosophy, serving as a roadmap for advancing department priorities, reinforcing OHSU's control environment, and supporting OHSU's mission.

APPROACH

To support maintaining an understanding of OHSU's governance, risk, and control activities, A&AS gathers insight through multiple approaches. This includes ongoing dialogue with senior leadership, as well as review of key governance documents such as meeting minutes, strategic presentations, and internal communications. In addition, A&AS draws from prior internal audit work and leverages reports and assessments provided by other internal and external assurance and advisory functions. This approach will assist in ensuring the strategic plan remains aligned with organizational priorities and is responsive to evolving risks.

OHSU MISSION

As part of its multifaceted public mission, OHSU strives for excellence in education, research and scholarship, clinical practice and community service. Through its dynamic interdisciplinary environment, OHSU stimulates the spirit of inquiry, initiative and cooperation among students, faculty and staff.

Setting the example for integrity, compassion and leadership, OHSU strives to:

- Deliver excellence in health care, emphasizing the creation and implementation of new knowledge and cutting-edge technologies.
- Educate tomorrow's health professionals, scientists, engineers and managers in top-tier programs that prepare them for a lifetime of learning, leadership and contribution.
- Explore new basic, clinical and applied research frontiers in health and biomedical sciences, environmental and biomedical engineering and information sciences, and translate these discoveries, wherever possible, into applications in the health and commercial sectors.
- Lead and advocate for programs that improve health for all Oregonians, and extend OHSU's education, research and health care missions through community service, partnerships and outreach.

A&AS MISSION & BACKGROUND

The mission of A&AS is to assist the OHSU Board of Directors and management in the discharge of their oversight, management, and operating responsibilities by strengthening internal controls and promoting compliant, effective, and efficient operations.

A&AS is an objective assurance and advisory program within OHSU that is guided by a philosophy of adding value to improve the operations of OHSU. A&AS assists OHSU management in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk, and internal control processes, as defined below:

- **Governance:** The combination of processes and structures implemented by management in order to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.
- **Risk:** The possibility that an event, that will adversely affect the achievement of objectives, will occur.
- **Internal Control:** Process for assuring achievement of an organization's objectives in operational effectiveness and efficiency, reliable financial reporting, and compliance with laws, regulations and policies.

A&AS is a resource for management to facilitate continuous improvement by examining and evaluating the organization's financial and operational processes, systems, and compliance with laws, regulations, and organizational policies.

STRATEGIC PLAN STRUCTURE

The A&AS strategic plan is structured around three foundational pillars, People, Process, and Technology, to align with and advance A&AS's mission of delivering risk-based assurance and advisory services. Objectives within each pillar are designed to strengthen the department's capabilities and impact:

- *People* focuses on talent development, stakeholder engagement, and continuing education and expertise.
- *Process* emphasizes audit quality, efficiency in execution of the audit project plan, and alignment with OHSU priorities.
- *Technology* prioritizes the adoption of tools that enhance data analysis, automation, and reporting.

Each objective will be supported by metrics to monitor progress and ensure accountability. This structure ensures the strategic plan remains focused, actionable, and adaptable in a dynamic risk environment.

A&AS STRATEGIC OBJECTIVES

Pillar #1: People

Objective 1.1 Promote a culture of risk awareness across the institution.

Tactics:	Potential Metrics:
Develop and deliver educational resources that empower departments to identify, assess, and manage risks independently.	Deployment of SharePoint tools, OHSU group/forum presentations, and/or lunch & learn trainings.

Objective 1.2 Support professional growth and uphold industry standards.

Ensure timely completion of required CPE credits to maintain active professional certifications.	CPE hours per staff.
Encourage participation in industry associations through membership, volunteering, and leadership.	Industry memberships and service instances.
Support the attainment of relevant certifications (e.g., CIA, CPA, CISA, CFE), while maintaining a balanced mix of credentials across key audit areas, including financial, operational, IT, and compliance.	Staff certification percentage.

Objective 1.3 Foster strong, ongoing dialogue with OHSU leadership.

Conduct recurring risk assessment meetings with leadership across all missions and functional areas.	Risks identified, and meetings held across all missions and functional areas.
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Objective 1.4 Contribute positively to institutional culture, including diversity, equity, inclusion, and belonging.

Use standard project work processes (i.e. planning work paper templates) to incorporate considerations of diversity, equity, employee engagement, and organizational culture into engagements.

Percentage of projects with DEIB considerations documented.

Pillar #2: Process

Objective 2.1. Execute annual audit plan efficiently and effectively.

Implement a routine cadence of reviewing and reporting progress against performance indicators, including cycle time between audit phases, and planned vs. Actual hours.

Hours per cycle time and budget to actual comparisons.

Objective 2.2 Systematically follow up on management action plans to address audit findings.

Implement a routine cadence of reviewing and reporting on key follow-up metrics, such as recommendations implemented and the number of open findings exceeding agreed-upon implementation dates.

Recommendations implemented, age of outstanding action plans, and findings past due.

Objective 2.3 Develop a comprehensive understanding of OHSU's data landscape.

Gain a clear understanding of OHSU's data landscape to strengthen audit capabilities, improve risk detection, and boost efficiency through better use of data and opportunities for automation.

Data mappings, identification of data subject matter experts, and participation in data-related training and analytics integration.

Objective 2.4 Use stakeholder feedback for continuous improvement.

Collect post-project surveys from audit clients and systematically incorporate feedback into department processes.

Survey satisfaction ratings, and examples of lessons learned.

Pillar #3: Technology

Objective 3.1 Improve audit efficiency and effectiveness by leveraging technology.

Identify and implement automation tools for repetitive audit tasks, such as quality review workflows, follow-up tracking, population sampling, and data validation.

Identification of new tools, and implementation instances.

Identify and implement information-sharing tools to enhance collaboration, communication, and productivity internally and with clients.

Examples of efficiencies gains through information sharing enhancements.

Identify and implement AI tools into audit processes to support tasks such as anomaly and fraud detection, trend analysis, document summarization, and project planning research.

AI tools evaluated and implemented, along with examples of audit tasks enhanced through their use.



AUDIT & ADVISORY SERVICES

Internal Audit Plan Summary
For Fiscal Year 2026, Q1-Q2

OVERVIEW

As outlined in the Audit & Advisory Services (A&AS) program charter, A&AS is an independent and objective assurance and consulting program within OHSU guided by a philosophy of adding value to improve the operations of OHSU. A&AS assists OHSU management in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of governance, risk, and internal control processes.

To meet this responsibility, A&AS has developed an internal audit plan which considers potential projects across the organization, deploying A&AS resources to perform risk-based engagements, utilizing the skill sets of each staff member. The following audit plan summary provides an overview of planned audit and advisory service activities for the first two quarters of fiscal year 2026 (FY26).

SERVICES

A&AS performs the following types of services as part of its program:

- 1. Audit services**

Audit services are assurance projects that are included in the audit plan and are typically risk-based. The audit plan is managed with a rolling format so projects may be re-evaluated throughout the year to react to changes in OHSU's risk profile.

- 2. Advisory services**

A&AS is available to respond to requests from management for services that are more advisory in nature than traditional audits. These types of advisory services may include services such as consultations, special projects, focused risk assessments, internal control reviews, and system development projects. In the context of advisory services, A&AS staff will rely upon their expertise to provide best practices and consultative advice to the OHSU community.

- 3. Investigation services**

Investigation services include looking into suspected financial irregularities whether reported by concerned parties, detected through execution of the audit plan, or based upon concerns conveyed by management. When investigating suspected or alleged misuse of OHSU resources, A&AS objectives are to verify facts, provide an objective and confidential review, and recommend corrective actions to ensure similar actions do not occur in the future.

RISK ASSESSMENT

A&AS conducts ongoing risk assessment meetings with key stakeholders and leaders across missions to discuss issues and concerns in their business units as well as challenges and risks facing the institution. The risk assessment process incorporates research from nationwide trends and emerging risks in higher education and healthcare, review of internal resources, information from past engagements and investigations, and institutional knowledge. The risk assessment process in support of the audit plan will continue throughout the course of FY26.

To prioritize the risk areas and issues, A&AS uses a standardized method for the review process, utilizing defined risk criteria to assess and measure impacts by risk category (reputation, safety, operations, legal/regulatory, and financial) and likelihood or expected frequency of occurrence. This assessment of the identified risk topic areas assists in the prioritization of the audit plan to provide audit coverage across mission areas and deploy A&AS resources in an effective and efficient manner.

AUDIT PLAN DEVELOPMENT PROCESS

A&AS employs a rolling, flexible audit plan driven by ongoing risk assessment meetings throughout the course of the year. This allows A&AS to adjust the audit plan and be responsive to the rapidly changing risk environment faced by the institution. A&AS will continue to conduct risk assessment meetings and socialize the upcoming audit plans in the spring and fall of each fiscal year. Updates will be provided on a quarterly basis to the A&AS Steering Committee and semi-annually with the Finance and Audit Committee of the Board of Directors.

FY26 Q1Q2 AUDIT PLAN

The following projects and activities are scheduled for the A&AS audit plan for the first two quarters of FY26.

Review area	Mission	Project purpose	Service type
FY25 Carry Forward Vista Pavillion Project Audit: Phase 2	Healthcare/ Central Services	The purpose of this project is to expand upon the FY25 Phase 1 audit by incorporating testing of new scope areas identified for scrutiny. The audit will aim to ensure reliability of reporting, financial integrity, and provide strategic recommendations to enhance efficiency, compliance, and project success.	Advisory

Review area	Mission	Project purpose	Service type
FY25 Carry Forward Clinical Variable Pay	Healthcare/ Central Services	To evaluate the administration of variable pay, ensuring compliance with the established compensation plan and related policies. Additionally, the project will compare scheduling tools with time recording systems to identify discrepancies, assess alignment with compensation practices, and recommend improvements to enhance accuracy, fairness, and transparency in pay administration.	Audit
FY25 Carry Forward Vendor & Contract Management: GE Precision Healthcare	Central Services	To assess the efficiency and effectiveness of the vendor and contract management processes, including purchase order creation, requisition handling, and invoice approval, on a sample basis, ensuring compliance with organizational policies, and mitigation of risks. The project will aim to optimize value for both OHSU and GE, as the organizations have partnered for over a decade to advance research, enhance care, and improve outcomes through technology driven initiatives, including statewide coordination of patient care and integration of AI-driven analytics.	Audit
Sunshine Data Annual Review	Research/ Healthcare	To assist the Conflict of Interest (COI) program by obtaining and formatting Centers for Medicare & Medicaid Services (CMS) data in support of analysis led by Research Integrity.	Advisory
Value Based Care Payments and Incentive Programs	Healthcare/ Central Services	To assess the processes for managing reimbursement and incentive payments received under value-based care programs. The review will focus on evaluating the accuracy of payment calculations, and effectiveness of controls to ensure timely and appropriate receipt of funds.	Audit

Review area	Mission	Project purpose	Service type
AI Governance and Risks	All	To assess the governance framework and risk management practices surrounding the use of artificial intelligence (AI). The review will focus on evaluating compliance with relevant regulations, effectiveness of oversight mechanisms, and mitigation of risks related to data privacy, algorithmic bias, and operational reliability.	Advisory
Pcard Expense Oversight and Policy Adherence	Central Services	To evaluate the oversight of Pcard expenses and assess adherence to relevant policies and procedures. The review will focus on ensuring compliance with spending limits, appropriate use of funds, and the effectiveness of controls to detect and prevent misuse or discrepancies.	Audit
Employee Engagement Risk Monitoring and Integration	All	To proactively integrate employee engagement risks into the ongoing risk assessment process by identifying and analyzing thematic trends and emerging concerns. Engage key stakeholders across the institution to gather insights and perspectives, enabling the internal audit team to monitor engagement-related risks more effectively and align audit activities with workforce well-being and organizational culture priorities.	Advisory
Research Restructuring Committee Support and Risk Evaluation	Research	To support the RRC by providing financial analysis, risk assessment, and advisory services in response to funding reductions. A&AS will help evaluate the potential impact of reduced research funding, identify operational and control risks, and ensure proposed restructuring plans promote transparency, sustainability, and alignment with OHSU's mission of research excellence.	Advisory

Review area	Mission	Project purpose	Service type
Quarterly Follow Up Report: Prior Project Findings	All	To monitor and report the status of open action plans from prior projects to assess progress toward resolution on a quarterly basis. Additionally, A&AS may re-evaluate previously closed recommendations in selected areas from prior projects, based on requests from management.	Follow Up

POTENTIAL PROJECT LIST

The following table provides a list of engagements that will be considered for future inclusion in the A&AS rolling audit plan. Projects may be removed or added to this list based on ongoing risk assessment activities. Given available resources, A&AS may not be able to perform all these reviews.

Review area	Mission	Potential project purpose	Risk summary
Data Use Agreements (DUAs) Governance and Management Protocols	Research	To assess processes in place to ensure compliance with DUA requirements, which regulate the use of identifiable research or health information data under the HIPAA Privacy Rule, with an aim to provide recommendations on the proper handling and authorized use of patient data.	Compliance with laws and regulations; patient experience and satisfaction
Executive Compensation & Incentive Payments	Central Services	To assess the process, systems, and controls in place to ensure executive compensation is administered appropriately.	Compensation errors, non-compliance with policies and regulations, and damage to reputation and stakeholder trust.

Review area	Mission	Potential project purpose	Risk summary
OHSU 30-30-30 Plan	Academic	To assess plans in place to execute the OHSU 30-30-30 initiative and to identify business risks involving budget, time, and scope.	Insufficient program capacity, inadequate diversity efforts, and weak data management may prevent OHSU from achieving its 30-30-30 goals.
Operational Resilience	Healthcare, Academic, Research	To assess the operational resilience of processes on a sample basis, based off analysis of general cybersecurity threats, resource limitations, and turnover and attrition to fortify processes and ensure business continuity and operational effectiveness amidst dynamic operational landscapes.	Insufficient preparedness, resource limitations, and turnover may weaken operational resilience, leading to disruptions, regulatory non-compliance, and ineffective risk reporting.
Kronos Upgrade and Payroll Impact Analysis	Central Services	To evaluate the implementation and operational impact of the Kronos timekeeping system upgrade on payroll processes. The review will focus on assessing system functionality, data accuracy, and the effectiveness of controls to ensure timely and accurate employee compensation.	Payroll inaccuracies, regulatory non-compliance, and delayed or unreliable reporting.
Remote Work and Multistate Compliance	Central Services	To assess the adequacy of policies and procedures in place to manage compliance obligations with applicable federal, state, and local employment laws.	Regulatory penalties, tax liabilities, employee disputes, and operational inefficiencies.

Review area	Mission	Potential project purpose	Risk summary
Epic Work Queue (WQ) Governance	Healthcare	To evaluate whether controls and business processes for oversight and governance of select Epic WQs provide reasonable assurance that operations are effective. Scope may include control processes for the creation, assignment, deletion and general maintenance of Epic WQs.	Delayed or missed follow-up on critical tasks, non-compliance with privacy or billing regulations, and reduced visibility into operational performance and accountability.
Budget Process: Control Design Review	Central Services	To execute a control design review, including process walkthroughs, supporting the annual budget process.	Misallocated resources, budget shortfalls or overruns, reduced ability to make informed financial decisions, non-compliance with internal or external requirements, and diminished trust in financial planning and reporting.
Clinical Trials Billing Compliance	Research	To evaluate controls over clinical trials billing to ensure charges to sponsors, patients, and payers are accurate and compliant with federal regulations. The review will assess the segregation of research and routine care charges, documentation practices, and coordination between research administration, billing, and compliance teams.	Inaccurate or non-compliant clinical research billing, leading to financial loss and potential regulatory penalties.

Review area	Mission	Potential project purpose	Risk summary
Third-Party Vendor Risk Management	Central Services	To assess the effectiveness processes for onboarding, monitoring, and managing third-party vendors, particularly those with access to sensitive data or operational systems. The review will focus on contract compliance, data security, business continuity planning, and due diligence procedures to mitigate reputational, legal, and operational risks.	Operational disruptions, regulatory non-compliance, data breaches, and inaccurate reporting, creating exposure to reputational, legal, and financial risks.
Student and Resident Clinical Rotation Oversight	Academic/Healthcare	To evaluate the adequacy and consistency of oversight for student and resident clinical rotations across departments. The review will focus on verifying compliance with accreditation standards, ensuring documentation of supervision and learning objectives, and assessing risk management practices related to patient care, training, and safety.	Inadequate oversight of clinical rotations may result in noncompliance with accreditation standards, compromised training quality, patient safety risks, and inconsistent documentation.
Capital Construction Project Governance and Cost Management	Central Services	To assess the adequacy of governance structures, financial oversight, and project management controls over major capital construction projects.	Weak governance and controls in capital projects risk budget overruns, contract breaches, and inaccurate reporting.

Review area	Mission	Potential project purpose	Risk summary
Student Financial Aid Compliance and Disbursement Controls	Academic	To assess compliance with federal and state regulations governing student financial aid programs, including Title IV. The review will focus on evaluating eligibility determination, timely and accurate disbursement of funds, return of Title IV calculations, and segregation of duties to mitigate risk of error, fraud, or regulatory noncompliance.	Regulatory penalties, disrupted student aid delivery, and damage to the institution's reputation due to ineffective financial aid controls and processes.
Donor Intent & Endowment Fund Oversight and Spending Compliance	Foundation	To evaluate the controls in place to ensure endowment funds are used in accordance with donor intent and institutional policy. The review will focus on fund governance, tracking of restricted versus unrestricted spending, and alignment with financial reporting and stewardship practices.	Inadequate oversight of donor contributions may result in the misuse of restricted resources, noncompliance with donor intent, and breakdowns in financial transparency and stewardship.

OTHER ACTIVITIES

Activity	Description
Participation on OHSU committees and task forces	A&AS team members serve on project teams, task forces, and/or standing university committees in an advisory capacity as requested by leadership.
Annual risk assessment	The annual risk assessment forms the basis of the audit plan. The International Standards for the Professional Practice of Internal Auditing (IIA Standards) require A&AS to conduct an annual risk assessment to conform to standards. A&AS continues to employ an ongoing and agile risk assessment process, with a rolling audit planning process to provide flexibility and responsiveness in the current environment.

Activity	Description
Quality assessment review	An external quality assessment review (QAR) of the internal audit activity is required by IIA Standards at least once every 5 years. The last external QAR was completed in 2011. Revised IIA Standards have been issued, effective January 1, 2025. In FY26, A&AS will continue to update processes and practices to conform with new standards, where applicable, in preparation for an external QAR.
Volunteer Involvement with professional organizations	<p>Professional organizations help A&AS to stay current on hot topics and emerging risks and connect with other internal audit professionals. A&AS staff are members and volunteers of several organizations, including:</p> <ul style="list-style-type: none"> • Association of College & University Auditors (ACUA) • Association of Healthcare Internal Auditors (AHIA) • The Institute of Internal Auditors (IIA) <ul style="list-style-type: none"> ➤ Board Member Representation, Portland IIA Chapter ➤ Academic Relations Chair • American Institute of Certified Public Accountants (AICPA) • Pacific Northwest Higher Education Internal Audit (PNWHEIA) • Higher Education Coordinating Commission (HECC) <ul style="list-style-type: none"> ➤ Audit Committee Representation <p>A&AS staff regularly attend conferences/webinars, read professional periodicals, and stay connected through professional association listservs.</p>

AUDIT RESOURCES

The audit plan for FY26 is based on a team of **2.8 FTE** audit professionals. The A&AS team is comprised of a Director, one Senior Auditor, and a 0.8 FTE Staff Auditor. Based on the expected staffing level as of June 2025, approximately **2,949 hours** were available for FY26 from July through December 2026, based on a semi-annual budget of 1,032 hours per FTE for available work effort in FY26. Hours were allocated to Audit and Advisory Service projects and administration, training, and paid leave activities during the year as described below.

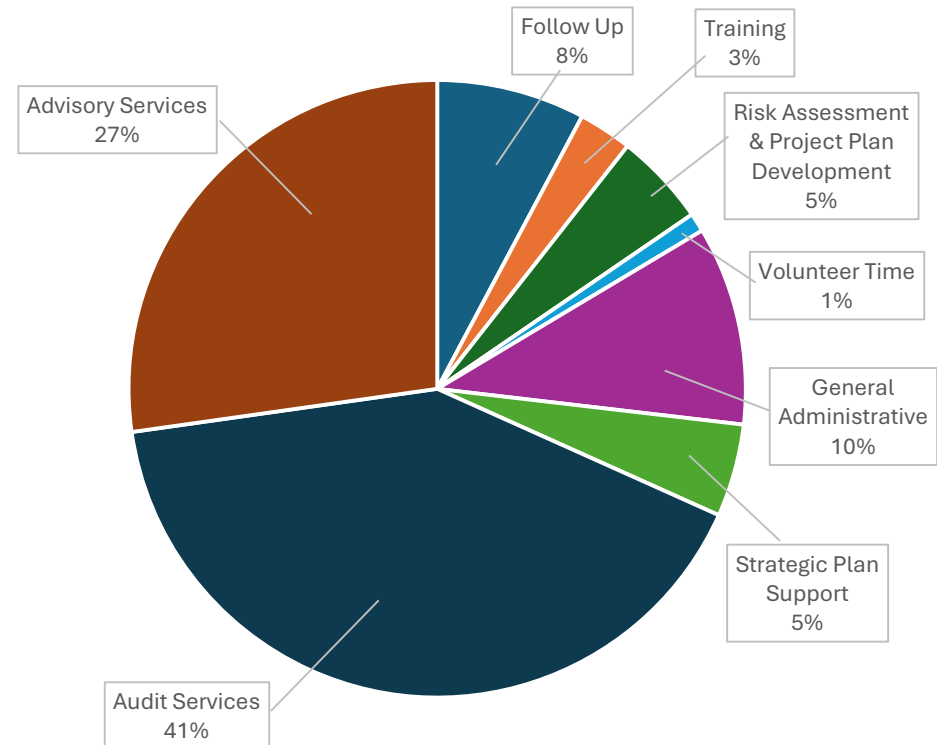
- Audit services: Planned audits and completion of prior year audits.
- Advisory services: Projects that are consultative in nature, including special projects and internal control assessments. Investigation services are included in this category for reporting purposes.

- Follow-up reviews: Follow up on management action plans for previously completed reviews.
- Risk assessment: Risk assessment activities to develop annual plan.
- Administration: A&AS audit plan management, team meetings, strategic plan development and execution, recruiting time, and any other non-project activities.
- Training: Continuing professional education, self-development, and professional organization involvement.

As part of the FY26 audit plan budget, approximately **600 hours** have been allocated between July through December 2026 towards completion of FY25 projects. Approximately **69%** of available resources have been committed to the completion of planned audit and advisory service projects. A contingency/discretionary budget has been included of approximately **240 hours** in the Audit Services and Advisory Services budgeted hours. The following chart provides an approximation of the allocation of resources on an hourly basis.

Project Name	Estimated Hours
OHEP Phase 2 [FY25 carry forward]	150
Clinical Variable Pay Review [FY25 carry forward]	200
Vendor & Contract Management: GE Healthcare [FY25 carry forward]	250
Sunshine Data Analysis Support	40
Value Based Care Payments and Incentive Programs	250
AI Governance and Risks	275
Pcard Expense Oversight and Policy Adherence	250
Research Restructuring Committee Support and Risk Evaluation	50
Employee Engagement Risk Monitoring and Integration	50
Contingency	240
Follow Up	200
Total Project and Follow Up:	1,955

July - Dec '26 Resource Allocation
Excluding Holiday & PTO Time



Potential Project Watch List & Risk Theme Mapping

Primary Mission	Risk Theme Summary	Project Title	Potential & Inherent Risks - Project Level		
			Operational Risks	Compliance Risks	Reporting Risks
Research	Unauthorized access, use, or disclosure of data and/or information.	Data Use Agreements (DUAs) Governance and Management Protocols	<ul style="list-style-type: none">-Lack of centralized oversight-Inadequate training and awareness-Poor integration with data access controls-Incomplete or outdated documentation	<ul style="list-style-type: none">-Non-compliance with regulatory requirements-Unauthorized data use or sharing-Improper handling of data transfers-Retention beyond authorized periods-Delayed or inaccurate breach notifications	<ul style="list-style-type: none">-Inaccurate or incomplete DUA record reporting-Lack of transparency in data usage reporting-Unclear attribution of data ownership and responsibilities
All	Compensation errors, non-compliance with policies and regulations, and damage to reputation and stakeholder trust.	Executive Compensation & Incentive Payments	<ul style="list-style-type: none">-Inconsistent administration of compensation plans-Weak internal controls over approval and payment-Limited system integration or automation-Insufficient documentation of compensation decisions	<ul style="list-style-type: none">-Non-compliance with internal policies-Violations of regulatory reporting requirements-Risk of excess benefit transactions-Lack of appropriate conflict-of-interest management	<ul style="list-style-type: none">-Errors in financial or tax filings-Inconsistent internal reporting of incentive metrics-Lack of transparency in total compensation disclosures
Academic	Insufficient program capacity, inadequate diversity efforts, and weak data management may prevent OHSU from achieving its 30-30-30 goals.	OHSU 30-30-30 Plan	<ul style="list-style-type: none">-Insufficient capacity to scale programs-Ineffective recruitment and retention strategies-Resource constraints or funding variability-Inadequate coordination across departments and partners	<ul style="list-style-type: none">-Rapid growth without maintaining quality risks accreditation-Insufficient support or documentation for diversity efforts may trigger regulatory review-Inaccurate reporting on outcomes or diversity could lead to funding loss or penalties-Poor handling of student data may violate privacy laws	<ul style="list-style-type: none">-Inaccurate or incomplete tracking of graduate numbers-Lack of transparency in diversity reporting-Delayed or infrequent updates to leadership and funders-Miscommunication of outcomes to the public
All	Insufficient preparedness, reliance on single source vendors, resource limitations, and turnover may weaken operational resilience, leading to disruptions, and regulatory non-compliance.	Operational Resilience	<ul style="list-style-type: none">-Insufficient preparedness for cybersecurity threats-Resource constraints impacting process continuity-Limited staffing or budget cuts could hinder the ability to maintain critical operations during crises.-High turnover and attrition affecting knowledge retention-Loss of key personnel may weaken institutional memory and disrupt process effectiveness.-Inadequate business continuity planning and testing	<ul style="list-style-type: none">-Non-compliance with regulatory requirements-Inability to meet industry or government standards (e.g., HIPAA, NIST) could result in penalties.-Failure to adhere to cybersecurity frameworks-Weak controls may violate compliance obligations tied to data protection and operational security	<ul style="list-style-type: none">-Delayed communication of operational risks or incidents-Late reporting may impair timely decision-making and mitigation efforts.-Lack of transparency in resilience status updates-Inadequate disclosure of vulnerabilities or recovery efforts can reduce trust among internal and external parties.

Potential Project Watch List & Risk Theme Mapping (continued)

Primary Mission	Risk Summary	Project Title	Potential & Inherent Risks - Project Level		
			Operational Risks	Compliance Risks	Reporting Risks
All	Payroll inaccuracies, regulatory non-compliance, and delayed or unreliable reporting.	Kronos Upgrade and Payroll Impact Analysis	-System functionality issues post-upgrade -Data migration errors -Insufficient user training and support -Inadequate change management	-Failure to comply with wage and hour laws -Payroll inaccuracies may result in violations of labor regulations and potential fines. -Non-adherence to internal payroll policies -Inconsistent application of payroll controls may lead to unauthorized payments or adjustments. -Incomplete audit trails	-Inaccurate payroll reporting -Errors in payroll summaries or tax filings could lead to regulatory penalties -Slow identification and communication of errors -Lack of transparency in system upgrade impacts -Insufficient reporting on issues or resolutions
All	Regulatory penalties, tax liabilities, employee disputes, and operational inefficiencies.	Remote Work and Multistate Compliance	-Inconsistent remote work practices -Lack of standardized procedures may lead to inefficiencies and inconsistent application of policies -Insufficient oversight of remote employee activities -Technology and support limitations	-Non-compliance with state and local employment laws -Failure to track and adhere to jurisdiction-specific requirements (e.g., tax, wage, leave laws) may result in penalties -Incorrect employee classification or tax reporting -Inadequate documentation of remote work agreements and approvals	-Inaccurate or incomplete tracking of employee work locations -Poor data may result in incorrect tax withholdings, benefits administration, or labor law application. -Delayed reporting of compliance issues or legal changes Lack of transparency in reporting compliance status
Healthcare	Delayed or missed follow-up on critical tasks, non-compliance with privacy or billing regulations, and reduced visibility into operational performance and accountability.	Epic Work Queue (WQ) Governance	-Ineffective work queue maintenance -Duplicate, misrouted, or unresolved tasks -Lack of standardized governance practices -Delays in addressing patient accounts or claims -Insufficient role-based access controls -Resource misallocation	-Failure to adhere to HIPAA or internal policies and other regulations -Non-compliance with internal billing protocols -Inadequate documentation of WQ changes	-Inaccurate work queue performance metrics -Misleading reporting on account resolution, aging, or follow-up. -Lack of transparency into WQ status and ownership -Delayed identification of unresolved or aged items -Revenue cycle issues or patient follow-up issues
All	Misallocated resources, budget shortfalls or overruns, reduced ability to make informed financial decisions, and diminished trust in financial planning and reporting.	Budget Process: Control Design Review	-Inconsistent budget development practices -Weak oversight of budget inputs and approvals can result in unauthorized or inaccurate budgets -Lack of integration across departments -Unintended duplication, resource gaps, or misalignment with strategic goals	-Non-adherence to institutional budgeting policies -Lack of documentation for assumptions and approvals -Improper handling of restricted or grant-related funds	-Inaccurate budget projections and variance reporting -Unreliable financial forecasts and decision-making. -Delayed budget submissions and consolidated reporting -Inconsistent documentation of budget rationale

Potential Project Watch List & Risk Theme Mapping (continued)

Primary Mission	Risk Summary	Project Title	Potential & Inherent Risks - Project Level		
			Operational Risks	Compliance Risks	Reporting Risks
Research	Inaccurate or non-compliant clinical research billing, leading to financial loss and potential regulatory penalties.	Clinical Trials Billing Compliance	-Inadequate segregation of research and routine care charges -Billing errors or disputes with sponsors or payers. -Weak coordination between departments -Incomplete or outdated billing processes	-Non-compliance with federal billing regulations -Inaccurate billing to Medicare, Medicaid, or other payers may result in civil penalties, repayment demands, or False Claims Act exposure. -Inadequate documentation to support billed charges -Billing for non-qualifying or non-approved services	-Inaccurate billing reports to sponsors or regulators -Lack of transparency in trial-related financial reporting -Delayed detection of billing errors or trends
All	Operational disruptions, regulatory non-compliance, data breaches, and inaccurate reporting, creating exposure to reputational, legal, and financial risks.	Third-Party Vendor Risk Management	-Inadequate vendor onboarding and monitoring -Insufficient vendor due diligence and performance evaluation -Weak business continuity planning for vendors	-Failure to enforce contract compliance -Risk of violating regulatory or contractual requirements due to weak contract enforcement -Lack of data security controls for vendors	-Inaccurate or incomplete vendor performance documentation -Delayed or missing reporting of vendor incidents -Late or missing reports on vendor issues prevent timely remediation
Academic	Inadequate oversight of clinical rotations may result in noncompliance with accreditation standards, compromised training quality, patient safety risks, and inconsistent documentation.	Student and Resident Clinical Rotation Oversight	-Inconsistent supervision of students and residents -Variability in supervision compromises clinical training quality and patient safety. -Inadequate risk management practices -Poorly managed safety protocols or unclear responsibilities during rotations. -Unclear or missing learning objectives	-Noncompliance with accreditation standards -Failing to meet oversight and training requirements -Failure to document required supervision	-Incomplete or inaccurate rotation records -Lack of standardized reporting across departments -Inconsistent reporting limits the ability to identify systemic issues
All	Weak governance and controls in capital projects risk budget overruns, contract breaches, and inaccurate reporting.	Capital Construction Project Governance and Cost Management	-Inadequate governance structures -Poor oversight and control of construction projects, causing delays or cost overruns. -Ineffective budget management -Poor change order management -Weak vendor selection and monitoring	-Non-compliance with contract terms -Failure to follow procurement policies -Nonadherence with procurement requirements during vendor selection	-Inaccurate project financial reporting -Risk that budget and cost reports are incomplete or incorrect -Lack of transparency in project documentation

Potential Project Watch List & Risk Themes(continued)

Primary Mission	Risk Summary	Project Title	Potential & Inherent Risks - Project Level		
			Operational Risks	Compliance Risks	Reporting Risks
Education	Regulatory penalties, disrupted student aid delivery, and damage to the institution’s reputation due to ineffective financial aid controls and processes.	Student Financial Aid Compliance and Disbursement Controls	-Errors in eligibility determination -Inaccurate or incomplete eligibility assessments. -Delays in fund disbursement -Weak segregation of duties	-Noncompliance with federal and state regulations -Risk of violations related to Title IV and other regulations, leading to penalties or loss of funding.	-Inaccurate financial aid reporting -Incomplete or incorrect data submission to regulatory bodies -Insufficient documentation/evidence of aid processes -Risk that poor record-keeping limits auditability and hinders effective oversight
Foundation	Inadequate oversight of donor contributions may result in the misuse of restricted resources, noncompliance with donor intent, and breakdowns in financial transparency and stewardship.	Donor Intent & Endowment Fund Oversight and Spending Compliance	-Insufficient fund governance -Poor fund management and inconsistent application of donor restrictions. - Misclassification of restricted and unrestricted funds -Inadequate monitoring of endowment spending	-Failure to adhere to donor intent -Noncompliance with institutional policies -Spending decisions that conflict with internal guidelines on fund use	-Inaccurate financial reporting of endowment activity -Lack of transparency in stewardship reporting -Donors and stakeholders receive incomplete or unclear reports on how endowment funds are used, undermining confidence and future giving



Oregon Health & Science University

Discussion with the Finance and Audit Committee

Audit plan and strategy for the year ending June 30, 2025

June 26, 2025

Engagement management to fit your team

KPMG and OHSU have a joint interest in driving quality and eliminating peaks in workload, particularly in the post year end period. That's why we're continuing to:

Communicate and coordinate with all levels of management and the Audit Committee, including updates on key milestones

Accelerate work to drive quality and an exceptional client experience

Improve the walkthrough and controls experience by accelerating and streamlining walkthrough efforts and standardizing requested evidence on controls



Scope of the audit

KPMG deliverables:

Auditors' report on the financial statements for the following entities as of and for the year ended June 30, 2025:

- Oregon Health & Science University (OHSU)
 - University Hospital/Doernbecher Children's Hospital
 - University Activity
 - Faculty Practice Plan
 - Research Activity
- Oregon Health & Science University – Family Medicine at Richmond
- Oregon Health & Science University Foundation
- OHSU Insurance Company (InsCo)
- Tuality Healthcare, Inc.
- Single Audit (federal grant audit)
- OHSU – Institute on Development & Disability (IDD) Supplement
- Debt compliance letters



FY 2025 audit fees

Fee discussion

Audit fees are consistent with those that were agreed to in our multi-year contract/audit proposal, approved by OHSU contracting.

Audit fees for the OHSU Foundation and for Tuality Healthcare will be approved by their separate Finance and Audit Committees.

* The audit for the 2025 Single Audit assumes two major programs (R&D and student financial aid). If an additional program is required, the additional fee would be set at a blended rate, using the rate approved from the proposal.

	2024 actual	2025 proposed
Baseline audit of OHSU financial statements	\$ 438,300	\$ 460,200
Incremental fees for IDD supplemental procedures	5,200	5,500
Single Audit related reports	80,300	* 107,400
Family Medicine at Richmond	21,200	22,300
OHSU Insurance Company	43,400	45,500
Total	\$ 588,400	\$ 640,900





Required communications to the Finance and Audit Committee



Audit plan required communications & other matters

Our audit of the financial statements of Oregon Health & Science University and its subsidiaries (the University) as of and for the year ended June 30, 2025 will be performed in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards.

Performing an audit of financial statements includes consideration of internal control over financial reporting (ICFR) as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's ICFR.

We will also perform a single audit over federal expenditures in accordance with the Uniform Guidance as of and for the year ended June 30, 2025.

Matters to communicate		Response
Role and identity of engagement partner	✓	Lead audit engagement partner is: Drew Corrigan
Significant findings or issues discussed with management	X	
Materiality in the context of an audit	✓	Page 7
Our timeline	✓	Page 8
Risk assessment: Significant risks	✓	Pages 9
Risk assessment: Additional risks identified	✓	Page 10 – 11
Involvement of others	✓	Pages 12
Newly effective accounting standards	✓	Page 13
Independence	✓	Page 14
Responsibilities	✓	Page 15
Inquiries	✓	Page 16

✓ = Matters to report X = No matters to report

Materiality in the context of an audit

We will apply materiality in the context of the preparation and fair presentation of the financial statements, considering the following factors:

Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.

Judgments about materiality involve both qualitative and quantitative considerations.

Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.

Judgments about the size of misstatements that will be considered material provide a basis for

- Determining the nature and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

Our timeline

May – June

Planning and risk assessment

- Planning and initial risk assessment procedures, including:
 - Involvement of others
 - Identification and assessment of risks of misstatements and planned audit response for certain processes
- Obtain and update an understanding of the University and its environment
- Inquire of the Finance and Audit Committee, management and others within the University about risks of material misstatement
- Perform process walkthroughs and identification of process risk points for certain processes

June

Interim

- Ongoing risk assessment procedures, including:
 - Identification and assessment of risks of misstatements and planned audit response for remaining processes
- Communicate audit plan
- Identify IT applications and environments
- Evaluate design and implementation (D&I) of entity level controls and process level controls for certain processes
- Perform process walkthroughs and identification of process risk points for remaining processes
- Perform interim substantive audit procedures

August – October

Year-end

- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Review financial statement disclosures
- Audit closing meetings with management

October – November

Year-end

- Present audit results to the Finance and Audit Committee and perform required communications
- Issue opinion on Insko
- Issue opinion on Foundation
- Issue opinion on Tuality
- Issue opinion on OHSU
- Issue opinions on remaining audits (Richmond Clinic and Single Audit)
- Issue required auditor communications letters
- Communications provided to State of Oregon auditor

Filing date: Issue audit reports on October 25 (estimated) for the OHSU financial statements.

Risk assessment: Significant risks

Significant risk	Susceptibility to:	
	Error	Fraud
Management override of controls Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.		[Yes]



Risk assessment: Additional risks identified

Additional risks identified	Risk	Relevant factors affecting our risk assessment
Valuation of patient accounts receivable	Elevated	Significant management judgment and estimation is involved in determining contractual and bad debt allowances for patient accounts receivable. The engagement team procedures include a retrospective lookback on the prior year allowance, perform an independent calculation of allowances, and sample patient balances to assess aging and reserves.
Investments	Base	<p>Alternative investments are subject to increased estimation risk due to lack off availability of observable market activity. The engagement team procedures will include confirmation, evaluation of recent audit reports of the funds, and benchmarking of returns against publicly available information.</p> <p>Non-alternative investments also may have estimation risk. The engagement team procedures will include confirmation and comparison of share values against pricing databases.</p>
Pension	Base	Pension risks relate to valuation and existence. The engagement team will involve a KPMG specialist to assess the key assumptions used in the valuation of the liability and to review the presentation of GASB 68 liabilities and related footnotes. Additionally, the engagement team will select a sample from census data utilized by the actuaries.
Debt	Base	Debt also represents a significant account on the statement of net position. Key procedures include confirmation of outstanding balances with third-party trustees, and evaluation of compliance with debt covenants.
Grant Revenues	Base	Grant revenues are typically recognized when qualifying expenditures are incurred in accordance with grant agreements. Procedures include comparison of revenue recognized to expenditures incurred for a sample, and analytical comparison of current period revenues to prior period revenues.

Risk assessment: Additional risks identified (continued)

Other risk identified	Relevant factors affecting our risk assessment
Tuality risk assessment summary	<p>Significant risks include:</p> <ul style="list-style-type: none">• Management override of controls (risk of fraud) <p>Elevated risks include:</p> <ul style="list-style-type: none">• Valuation of accounts receivable (risk of error) <p>Other key audit areas include:</p> <ul style="list-style-type: none">• Financial reporting under FASB standards• Pension valuation• Net patient service revenues• Operating expenses, including payroll and general disbursements <p>Audit report is anticipated to be issued in advance of issuance of OHSU primary government report</p>

Involvement of others

Audit of financial statements

KPMG professionals with specialized skill or knowledge who are involved in performance of audit procedures

Extent of planned involvement

- Jim Lancaster – Exempt organization tax specialist review
- Abednigo Sibanda – Actuarial review of pension liability

Newly effective accounting standards

Statements to be adopted in FY25

GASB statement 101: Compensated Absences

- Effective for periods ending June 30, 2025
- Updates the recognition and measurement guidance for compensated absences
- Requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not paid in cash or settled through noncash means
- Amends the disclosure requirements to allow disclosure of only the net change in the liability

GASB statement 102: Certain Risk Disclosures

- Effective for periods ending June 30, 2025
- State and local governments face a variety of risks that could negatively affect the level of service they provide or their ability to meet obligations as they come due. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities.
- Such risks may include:
 - Significant concentrations of suppliers, workforce, or providers of financial resources
 - Limitations on raising revenue, spending, or the incurrence of debt

Shared responsibilities: Independence

Auditor independence is a shared responsibility and most effective when management, those charged with governance and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, the Finance and Audit Committee, and KPMG each play an important role.

System of Independence Quality Control

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to:

- New affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules)
- New officers or directors with the ability to affect decision-making, individuals who are beneficial owners with significant influence over the Company, and persons in key positions with respect to the preparation or oversight of the financial statements

Certain relationships with KPMG

Independence rules prohibit:

- Certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- The Company or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.

Responsibilities



Management responsibilities

- Communicating matters of governance interest to the Finance and Audit Committee.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.



KPMG responsibilities – objectives

- Communicating clearly with the Finance and Audit Committee the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing the Finance and Audit Committee with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.



KPMG responsibilities – other

- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
 - Withdraw from the audit engagement when possible under applicable law or regulation;
 - Communicate the circumstances to the Finance and Audit Committee, and
 - Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.

Required inquiries

- What are your views about fraud risks, including management override of controls, at the entity and whether you have taken any actions to respond to these risks?
- Are you aware of, or have you identified, any instances of actual, suspected, or alleged fraud, including misconduct or unethical behavior related to financial reporting or misappropriation of assets?
If so, have the instances been appropriately addressed and how have they been addressed?
- Are you aware of or have you received tips or complaints regarding the entity's financial reporting (including those received through the internal whistleblower program, if such program exists) and, if so, what was your response to such tips and complaints?
- How do you exercise oversight over management's assessment of fraud risk and the establishment of controls to address/mitigate fraud risks?
- Has the entity entered into any significant unusual transactions?
- Are you aware of any matters relevant to the audit, including, but not limited to, any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- Has the entity complied with all covenants during the financial statement period and before the date of the auditor's report?
Have there been any events of default during the financial statement period and before the dates of the auditor's report?
- What is the audit committee's understanding of the entity's relationships and transactions with related parties that are significant to the entity?
- Does any member of the audit committee have concerns regarding relationships or transactions with related parties and, if so, what are the substance of those concerns?



Questions?

For additional information and audit committee resources, including National Audit Committee Peer Exchange series, a Quarterly webcast, and suggested publications, visit the KPMG Audit Committee Institute (ACI) at <https://boardleadership.kpmg.us/audit-committee.html>

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Appendix



Not-for-Profit audit committee focus areas in 2025



The unprecedented pace and volume of newly emerging policy and regulatory issues in 2025 thus far suggests that the risk agenda of not-for-profit audit committees will expand over the next several months. We've highlighted several potential focus areas below, many of which overlap with sector risks more broadly.



Understand how federal policy changes could impact the institution in terms of funding, finances, financial reporting, compliance, internal controls, staffing, and reputation.



Help ensure the institution's enterprise risk management (ERM) profile is keeping pace with rapidly emerging federal, economic, and geopolitical issues – appropriate scenario planning is key.



Keep a watchful eye on the institution's cybersecurity and data governance risks.



Understand how the institution is considering and deploying generative artificial intelligence (GenAI) and help define the committee's oversight responsibilities.



Monitor other emerging regulations and standards impacting the institution, such as the 2024 Revisions to the Uniform Guidance and reporting requirements related to Title IV funding.



Stay focused on leadership and talent in finance and other key functions as the institution navigates the volatile federal environment and refines its business model.



Ask about management's processes to ensure integrity and consistency of data provided or available to creditors, ranking and rating agencies, grantors, and other third parties.



Sharpen the institution's focus on ethics, compliance, and culture.



Help internal audit stay focused on critical risks while adding value to the institution.



Take a fresh look at the audit committee's agenda and workload.

United Educators' Top 10 Risks of 2024 for Educational Entities *

- | | |
|--|---|
| 1. Enrollment | 6. Facilities and deferred maintenance |
| 2. Data security | 7. Student mental health |
| 3. Operational pressures | 8. Funding |
| 4. Recruitment and hiring | 9. Public safety |
| 5. Regulatory and legal compliance (non-VAWA/Title IX) | 10. General premises safety; Title IX; and political and societal pressures** |

* Based on survey responses from August-December 2024.

** Three risks tied for 10th.

First 100 days: federal policy impacts on global and healthcare and educational not-for-profits (March 2025)



Several executive and legislative priorities of the new federal administration and Congress have begun to impact U.S. not-for-profits and could have significant long-term consequences for the industry. At many institutions, the pace and volume of executive orders and federal policy changes have created funding gaps, complicated financial planning and compliance with regulations, and prompted policy and operational changes.



- Reductions in and realignment of federally funded research grants and contracts based on new agency priorities, and reductions in indirect cost recoveries (e.g., National Institutes of Health).
- Elimination or significant restructuring and downsizing of agencies. Elimination of the Department of Education (ED), curtailment or elimination of certain grant and loan programs, and redistribution of certain of ED's functions to other federal agencies, states, or the private sector. Significant cuts have been made to HHS.
- Implementation of tariffs across global trading partners, which economists note has created economic uncertainty and stock market declines and increases risks of stagflation and recession. In addition to potentially higher costs for goods and services across the industry, such actions may exacerbate existing enrollment and tuition pricing pressures at some institutions.
- A pushback on diversity, equity, and inclusion (DEI) programs. The Office of Civil Rights (OCR) has initiated targeted investigations of dozens of institutions, alleging racial preferences and antisemitism, and grants and contracts with DEI elements have been eliminated. In addition, the administration has cancelled federal funding at certain high-profile institutions amid demands for changes in institutional practices.
- An increased focus on price transparency, including the potential for increased CMS reviews and penalties.
- Changes to accreditation processes, including those for medical schools, could significantly impact the education landscape.
- Rollback of student loan forgiveness programs initiated by the Biden administration.
- Changes to immigration and international travel policies affecting students, faculty, and overseas programs.
- Potential changes to federal tax policy affecting donors and exempt organizations.
- Reducing tax benefits for charitable organizations is seen by some lawmakers as an option for funding the projected budget shortfall. For example, there is a proposal to impose taxes on endowments. Other proposals suggest reducing the ability to fund activities such as advocacy and voter registration from tax-exempt donations.

The responses we see in the industry (March 2025)



The responses we see are obviously driven by the relevance and impact of the changes. However, the list below highlights the responses we see from senior leadership teams, with governance oversight and monitoring



Frequent leadership touchpoints and discussions, with outreach across broader divisions



Frequent updates to the board of directors, with emphasis through the executive committee or audit, risk and compliance committees



Increased legal activities and analysis



Enhanced modeling and scenario planning around cash flows, budgets, and forecasts due to potential policy changes and changing international landscape



Operational policy changes: hiring freezes, reductions in force, position evaluations, long-term contracts, capital project deferrals and cancellations



Administration process evaluations and changes



Evaluation of changes to federal agency programs and funding initiatives



Internal audit planning reconsiderations on how policy and funding changes impact control activities and risks of fraud, waste, and abuse



Investment and endowment reconsiderations, including asset allocations, responsible investing, managed accounts, international investments.



Philanthropy planning and risk assessment considerations around future giving



Liquidity considerations (lines of credit)

US Audit Quality, Transparency and Impact reports



- Interactive dashboard highlights key quality metrics
- Details KPMG's investment in our audit approach, people, technology, quality management system and the future of audit

Audit Quality Report



- Provides more granular detail on our commitment to continually enhance audit quality
- Outlines KPMG LLP's System of Quality Control
- Discusses how the firm aligns with the requirements and intent of applicable professional standards including our System of Quality Control Statement of Effectiveness

Transparency Report



- Provides annual update on our progress on meeting goals aligned to People, Planet, Prosperity, and Governance
- Our goals reflect a materiality assessment and our aspiration to be an employer of choice

KPMG Impact Plan

Reports and supplements available at: <https://kpmg.com/us/en/articles/audit-quality-report.html>

Beginning with the fiscal year 2024, a separate NYSE supplement is not provided as the relevant information has been incorporated into the transparency report.