

WEDNESDAY, JUNE 4, 2025
LEGAL, AUDIT, RISK AND COMPLIANCE COMMITTEE MEETING

Elizabeth P. Kessler, chair
Bradley R. Kastan, vice chair
Michael F. Kiggin
John Jose Perez
Kendall C. Buchan
Amy Chronis
John W. Zeiger (*ex officio*)

Location: Mount Leadership Room, Longaberger Alumni House
2200 Olentangy River Road, Columbus, Ohio 43210

Time: 2:00-5:00 p.m.

Public Session

2:00-2:15 p.m.

ITEMS FOR DISCUSSION

1. *External Audit Update: 2025 Audit Plan – Mr. David Gagnon*

2:00-2:10 p.m.

ITEMS FOR ACTION

2. Approval of March 2025 Committee Meeting Minutes – Ms. Elizabeth Kessler

2:10-2:15 p.m.

Executive Session

2:15-5:00 p.m.



The Ohio State University

Discussion with those charged with governance

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

June 4, 2025

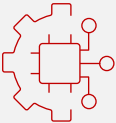
Key themes for our discussion



A better audit experience



Required communications



Next-generation technology



Audit Committee insights



Scope of the audit



Key risks and our Audit Plan

How we work: **Creating value for you**

Accelerating the future of audit with our technology-driven platform, empowered by strategic partnerships (e.g., Microsoft and MindBridge)



Engagement management to fit your team

KPMG and the University have a joint interest in driving quality and eliminating peaks in workload, particularly in the post year-end period. KPMG's proprietary Engagement Management Life Cycle (EMLC) tool allows us to :



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



Accelerate work to drive quality and an exceptional client experience

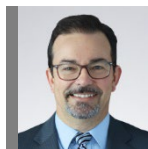


Improve coordination between the University's components by accelerating, streamlining, integrating, and standardizing requested evidence

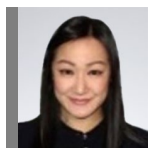


We're working with management throughout the University and its components to complete much of our risk assessment and interim testing before June 30.

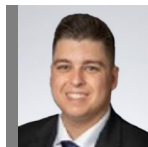
The OSU engagement team



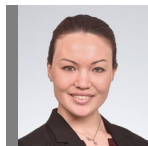
Dave Gagnon
Lead Engagement Partner
National Industry Leader –
Higher Education



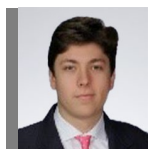
Jane Kim
Lead Senior Manager



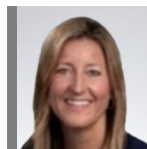
Darryn Bradt
University Manager



Madelyn Fowle
University Senior Associate



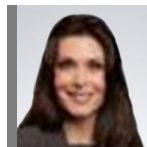
Nick Stevenson
University Senior Associate



Kim Zavislak
Account Executive
Columbus Office
Managing Partner



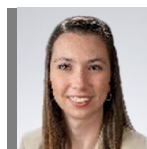
Shelly Masi
University and Components
Engagement Quality Control
Review Partner



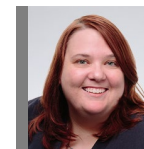
Amy Banovich
Healthcare Entities Engagement
Quality Control Review Partner



Mark Schierholt
Components
Managing Director



Rebecca Koermer
Components Manager



Cathy Baumann
University and
Single Audit Partner



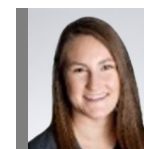
Gina Devine
Single Audit
Senior Manager



Johnny Lewis
Healthcare Entities
Partner



Kody Seeger
Healthcare Entities
Senior Manager



Sidney Arnold
Healthcare Entities
Manager

The OSU engagement team (continued)

Parms + Company



John Parms
Managing
Partner



Tim Grant
Partner

Specialists



Susan Eickhoff
National Office Leader
Higher Education/Grants Compliance



John Ng
National Office
Government/GASB



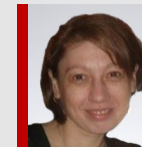
Tara D'Agostino
Tax Compliance
Managing Director



Arun Khandelwal
Director – Global
Delivery Center



Adrienne Henderson
Tech Assurance
Managing Director



Casey Shork
Actuarial Director

Required communications to those charged with governance

Prepared on May 16, 2025

Presented on June 5, 2025

Audit plan required communications and other matters

Our audit of the financial statements of The Ohio State University (the University) as of and for the year ending 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.

Additionally, we will perform a Single Audit in accordance with the Uniform Guidance.

Matters to communicate		Response
Role and identity of engagement partner	✓	<p>The lead audit engagement partner is Dave Gagnon.</p> <p>Cathy Baumann will serve as the partner on the single audit and support Dave on the University audit. Johnny Lewis will serve as the partner for the standalone reports for Wexner Medical Center Health System and Ohio State University Physicians, Inc. Mark Schierholt will serve as the managing director for the stand-alone component reports for The Ohio State University Foundation, Transportation Research Center Inc., and Campus Partners for Community Urban Redevelopment and Subsidiaries.</p>
Scope of audit	✓	<p>We will audit the University's financial statements for the year ending June 30, 2025, and those of the following components of the University:</p> <ul style="list-style-type: none"> • The Ohio State University Foundation • Campus Partners for Community and Urban Redevelopment • The Ohio State University Physicians, Inc. • Transportation Research Center, Inc. • The Ohio State University Wexner Medical Center Health System <p>Additionally, we will issue our reports on The Ohio State University Single Audit.</p>

✓ = Matters to report X = No matters to report

Audit plan required communications and other matters (Continued)

Matters to communicate		Response
Significant findings or issues discussed with management	X	
Financial reporting entity	✓	Pages 10 and 11
Materiality in the context of an audit	✓	Page 12
Our timeline	✓	Page 13
Risk assessment: Significant risks	✓	Page 14
Risk assessment: Additional risks identified	✓	Page 15
Involvement of others	✓	Page 16
Newly effective accounting standards	✓	Page 17
Independence	✓	Page 18
Responsibilities	✓	Page 19
Inquiries	✓	Page 20

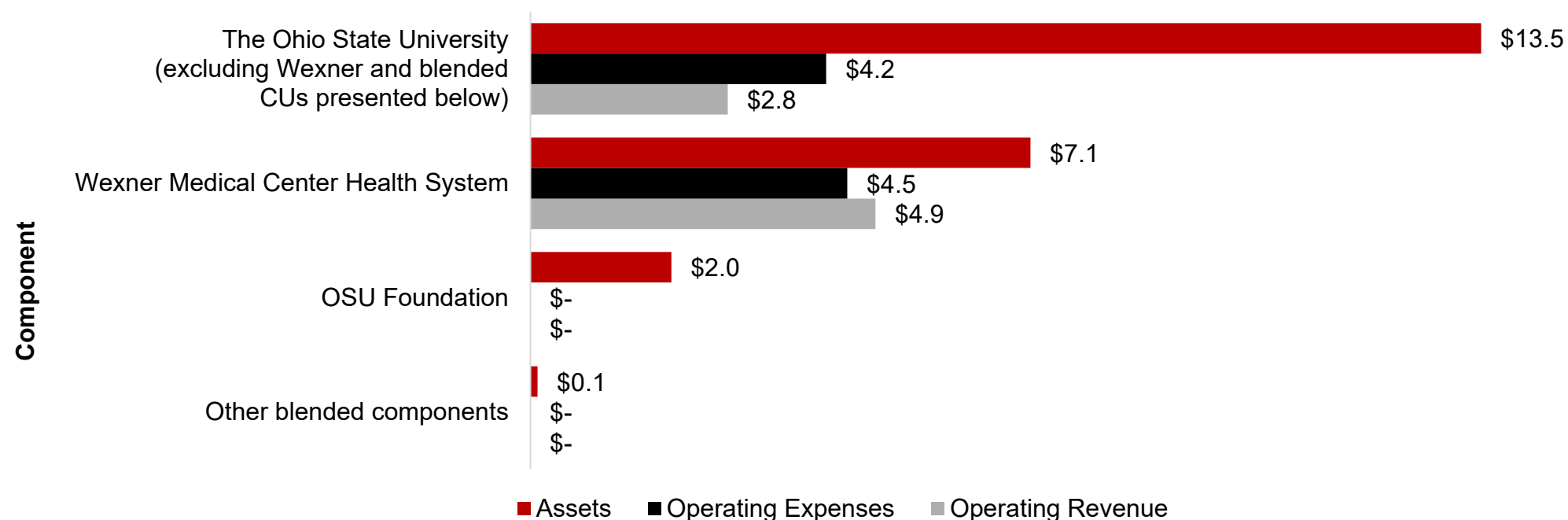
✓ = Matters to report X = No matters to report

Financial reporting entity

The following illustration depicts the entities included in the Primary Government column of The Ohio State University financial statements.

OSU and blended component units

2024 Assets and Deferred Outflows of Resources, Operating Expenses, and Operating Revenue (in billions of dollars)

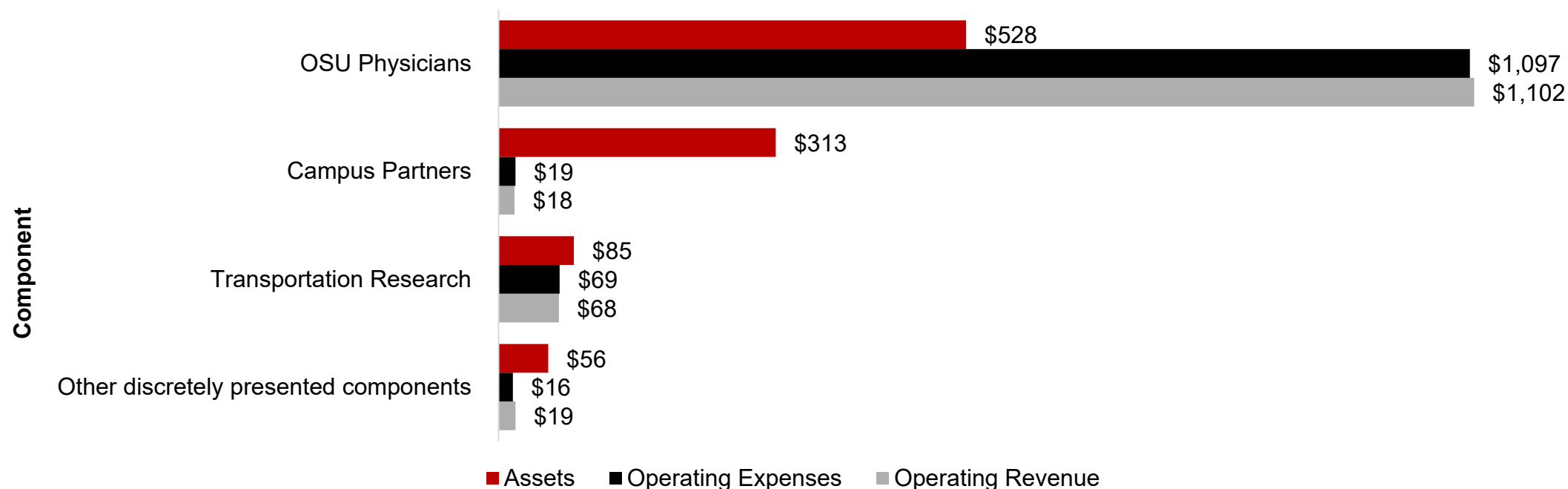


Financial reporting entity (continued)

The following illustration depicts the entities included in the Discretely Presented Component Units column of The Ohio State University financial statements.

Discretely presented component units

2024 Assets and Deferred Outflows of Resources, Operating Expenses, and Operating Revenue
(in millions of dollars)

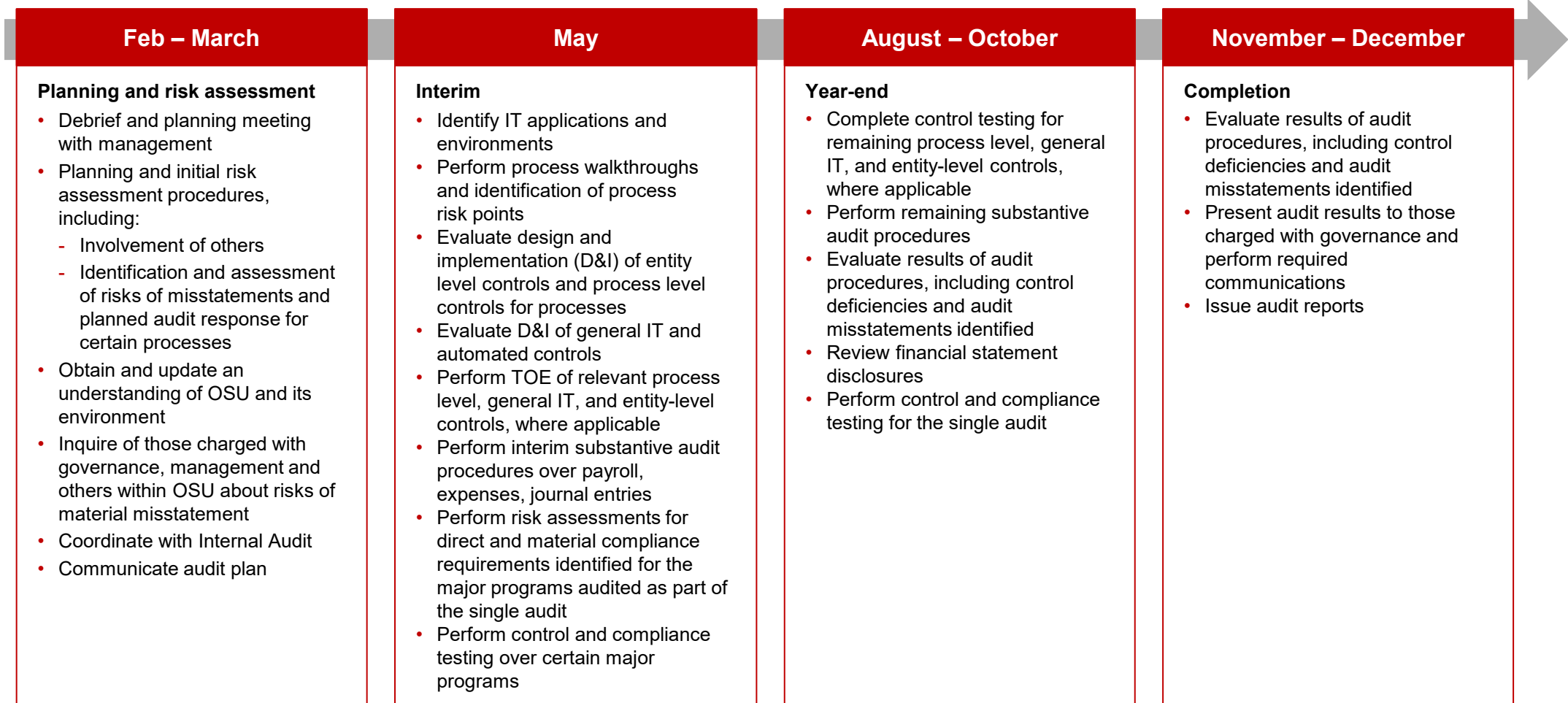


Materiality in the context of the audit

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 <ol style="list-style-type: none">Determining the nature and extent of risk assessment procedures;Identifying and assessing the risks of material misstatement; andDetermining the nature, timing, and extent of further audit procedures.

Our timeline



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	Relevant factors affecting our risk assessment and planned response
Valuation of alternative investments	Due to the relative lack of transparency into the underlying assets, including that these investments are not valued on a daily basis, nor readily available, we will perform various procedures to determine whether net asset values (NAVs), as applicable, are reliable, including confirming balances and ownership percentages as of year-end, obtaining underlying audited annual financial statements and back-testing reported NAVs, evaluating NAV valuation and cash changes between the audit date and the University's fiscal year end.
Valuation of marketable securities, which are reported within current and noncurrent assets on the statement of net position	Management's estimate of the fair value of marketable securities, including stocks and fixed income assets, held directly by the University is determined based on quoted prices in active markets.
Valuation of pension and other post-employment benefit liabilities and related accounts	Management's estimates of net pension obligations reported are based on a variety of actuarial assumptions related to participant mortality, as well as interest rates, historical experience, the provisions of the related benefit programs, and desired reserve levels.

Involvement of others

Others involved in the audit	Extent of planned involvement
Internal audit	No direct assistance will be received from the University's internal audit group. Internal audit reports will be reviewed and considered, as appropriate, as part of our risk assessment under <i>Government Auditing Standards</i> .
KPMG Tech Assurance	Assist the audit team in evaluating general information technology controls and IT application controls.
KPMG pension and postretirement benefit actuary	Assist the audit team in evaluating pension and postretirement benefit obligations.
KPMG Business Tax Services – Development and Exempt Organizations specialist	Assist the audit team in evaluating OSU's tax-exempt status as a governmental entity, tax-exempt status of component units, and assist in evaluating uncertain tax positions, if any.
Parms + Company LLC	Subcontractor firm assisting KPMG with certain audit procedures to be performed for OSU's financial statements (including OSU Physicians, Inc. and Wexner Medical Center) and the Single Audit.

New and upcoming accounting pronouncements



The requirements of this Statement are effective for periods beginning after December 15, 2023, or OSU's FY25 financials.

Establishes standards of accounting and financial reporting for compensated absences and associated salary related payments, including certain defined contribution pension and defined contribution OPEB.



The requirements of this Statement are effective for periods beginning after June 15, 2025, or OSU's FY26 financials.

Establishes new accounting and financial reporting, and modifies existing requirements, related to management's discussion and analysis, unusual or infrequent items, presentation of proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units, budgetary comparison information, and financial trends information in statistical section.

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. For KPMG to fulfill its professional responsibility to maintain and monitor independence, management, those charged with governance, 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, and other entities that meet the definition of an affiliate under AICPA independence rules).
- New officers, trustees, or directors with the ability to affect decision-making, individuals who are beneficial owners with significant influence over the University, 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 trustees, directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons.
- The University or its trustees, officers, from having certain types of business relationships with KPMG or KPMG professionals.

Responsibilities



Management responsibilities

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



KPMG responsibilities – objectives

- Communicating clearly with those charged with governance 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 those charged with governance 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 those charged with governance, 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?

Fiscal 2025 Single Audit – overview and scope

The Single Audit in accordance with the Uniform Guidance (UG) is required annually by federal regulation and is focused on compliance and internal control over compliance for programs that are federally funded. For auditees such as the University, programs audited must cover at least 20% of federal funds expended during the fiscal year.

Major programs are selected for audit based on quantitative and qualitative risk considerations prescribed by federal regulations. Larger programs (“Type A,” which for the University are over \$3 million, or more depending on total federal expenditures) must be audited as major programs at least once every three years; however, certain Type A programs may be required to be audited more frequently based on agency directives that they are “higher risk”.

While risk assessments are still in progress, below is a summary of major programs recently audited for the University and the planned fiscal 2025 major programs:

FY23 Major programs – audited	FY24 Major programs – audited	FY25 Major programs – planned*
<ul style="list-style-type: none">• Research and Development Cluster• Student Financial Assistance Cluster• Education Stabilization Fund• Provider Relief Fund• Head Start Cluster• Smith-Lever Funding	<ul style="list-style-type: none">• Research and Development Cluster• Student Financial Assistance Cluster• Supplemental Nutritional Assistance Program Cluster• Disaster Grants – Public Assistance (Presidentially Declared Disasters)• Airport Improvement Program	<ul style="list-style-type: none">• Research and Development Cluster• Student Financial Assistance Cluster• Medicaid Cluster

* Finalization of major program determination is dependent upon the final supplementary schedule of expenditures of federal awards, risk assessment procedures, and requirements of the 2025 Compliance Supplement (expected to be issued in the Spring). Major program compliance test work over direct and material compliance requirements is planned based upon reliance on internal control over compliance. While we may test and report on internal control over compliance, we do not express an opinion on the effectiveness of internal control over compliance.



Thank you

David Gagnon

Lead Engagement Partner

508-523-0042

dgagnon@kpmg.com

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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SUMMARY OF ACTIONS TAKEN

March 5, 2025 – Legal, Audit, Risk & Compliance Committee Meeting

Members Present:

Elizabeth P. Kessler

Bradley R. Kastan

Kendall C. Buchan

Members Present via Zoom:

Alan A. Stockmeister

Elizabeth A. Harsh

Michael F. Kiggin

Amy Chronis

John W. Zeiger (ex officio)

Members Absent:

Juan Jose Perez

PUBLIC SESSION

The Legal, Audit, Risk and Compliance Committee of The Ohio State University Board of Trustees convened on Wednesday, March 5, 2025, virtually and in person at Longaberger Alumni House on Ohio State's Columbus campus. Committee Chair Elizabeth Kessler called the meeting to order at 1:59 p.m.

Item for Discussion:

1. Internal Audit Governance Standards and Quality Assurance Program: Mr. Brian Newell, chief audit executive, Department of Internal Audit, briefed the committee on the new Global Internal Audit Standards and highlighted key updates that necessitate changes to the charters of the Legal, Audit, Risk and Compliance Committee and the internal audit department. Mr. Newell then provided an overview of the department's purpose and structure, and the role of the committee in the university's internal audit function.

(See Attachment X for background information, page XX)

Items for Action:

2. Approval of Minutes: No changes were requested to the December 6, 2024, meeting minutes; therefore, a formal vote was not required, and the minutes were considered approved.
3. Resolution No. 2025-76, Updates to Charters for the Internal Audit Department and the Legal, Audit, Risk and Compliance Committee:

Synopsis: Approval of the amended charters for the Internal Audit Department and Legal, Audit, Risk and Compliance committee is proposed.

WHEREAS in November 2004 the Board of Trustees adopted a charter for the Internal Audit Department; and



WHEREAS in August 2022 the Board of Trustees adopted a charter for the Legal, Audit, Risk and Compliance Committee; and

WHEREAS in August 2022 the Board of Trustees last adopted an amended and updated charter for the Internal Audit Department; and

WHEREAS new internal audit standards entitled the Global Internal Audit Standards became effective in January of 2025 and require updates to the Internal Audit and Legal, Audit, Risk and Compliance Committee charters to comply with the new audit standards:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby adopts the attached amended charters for the university's Internal Audit Department and the Legal, Audit, Risk and Compliance Committee.

(See Attachment X for background information, page XX)

Action: Upon motion of Ms. Kessler, seconded by Mr. Kastan, the foregoing motion was adopted by roll-call vote with the following members present and voting: Ms. Kessler, Mr. Kastan, Mr. Stockmeister, Mrs. Harsh, Mr. Kiggin, Dr. Buchan, Ms. Chronis and Mr. Zeiger.

Written Report

In the public session materials, there was one written report shared for the committee to review:

- a. KPMG Required Audit Communications
(See Attachment X for background information, page XX)

EXECUTIVE SESSION

It was moved by Ms. Kessler and seconded by Mr. Kastan that the committee recess into executive session to consult with legal counsel regarding pending or imminent litigation, to discuss security arrangements and emergency response protocols, and to consider business-sensitive trade secrets that are required to be kept confidential by federal and state statutes.

A roll-call vote was taken, and the committee voted to move into executive session with the following members present and voting: Ms. Kessler, Mr. Kastan, Mr. Stockmeister, Mrs. Harsh, Mr. Kiggin, Dr. Buchan, Ms. Chronis and Mr. Zeiger.

The committee entered executive session at 2:12 p.m., and the meeting adjourned at 4:38 p.m.