

## Meeting of the Legal, Audit, Risk and Compliance Committee (LARC), June 2, 2026

Following are highlights of our more detailed read-ahead materials

- **Fiscal 2026 audit plan**
  - Scope of entities included
  - Team and timeline
  - Risks and estimates identified
  - Other required communications
  - New accounting pronouncements
- **Fiscal 2026 Single Audit plan**
  - Uniform Guidance changes and 2026 Compliance Supplement
  - Preliminary identification and selection of major programs
  - Significant interim testing



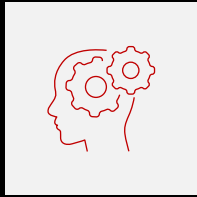
# The Ohio State University

## Discussion with those charged with Governance

Audit plan and strategy for the year ending June 30, 2026

June 2, 2026

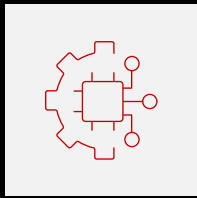
# Key themes for our discussion



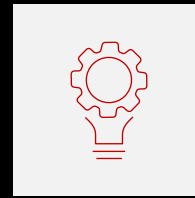
A better audit experience



Required communications



Next-generation technology



Insights for Those Charged with Governance



Scope of the audit



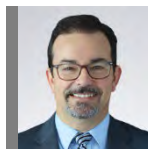
Key risks and our Audit Plan

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

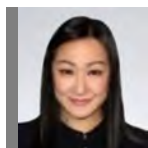
Accelerating the future of audit with our technology-driven platform, empowered by strategic partnerships (e.g., Microsoft and MindBridge)



# The OSU engagement team



**Dave Gagnon**  
Lead Engagement Partner  
National Industry Leader –  
Higher Education



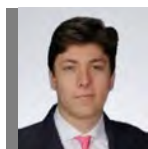
**Jane Kim**  
Lead Senior Manager



**Darryn Bradt**  
University Manager



**Madelyn Fowle**  
University Manager



**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



**Kyle Neff**  
Healthcare Entities  
Manager

# The OSU engagement team (continued)

## Parms + Company

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**Tim Grant**  
Partner

## Specialists

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**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 8, 2026

Presented on June 2, 2026

# 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 ended June 30, 2026, 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		Reference
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>
Audit participants, including service delivery centers and strategy	✓	<p>We will audit the University's financial statements for the year ending June 30, 2026, and those of the following components of the University:</p> <ul style="list-style-type: none"> <li>• The Ohio State University Foundation</li> <li>• Campus Partners for Community and Urban Redevelopment</li> <li>• The Ohio State University Physicians, Inc.</li> <li>• Transportation Research Center, Inc.</li> <li>• The Ohio State University Wexner Medical Center Health System</li> </ul> <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		Reference
Significant findings or issues discussed with management	X	
Financial reporting entity	✓	Pages 9 to 10
Materiality in the context of an audit	✓	Page 11
Our timeline	✓	Page 12
Risk assessment: Significant risks	✓	Page 13
Risk assessment: Additional risks identified	✓	Page 14
Involvement of others	✓	Page 15
Newly effective accounting standards	✓	Page 16
Independence	✓	Page 17
Responsibilities	✓	Page 18
Inquiries	✓	Page 19

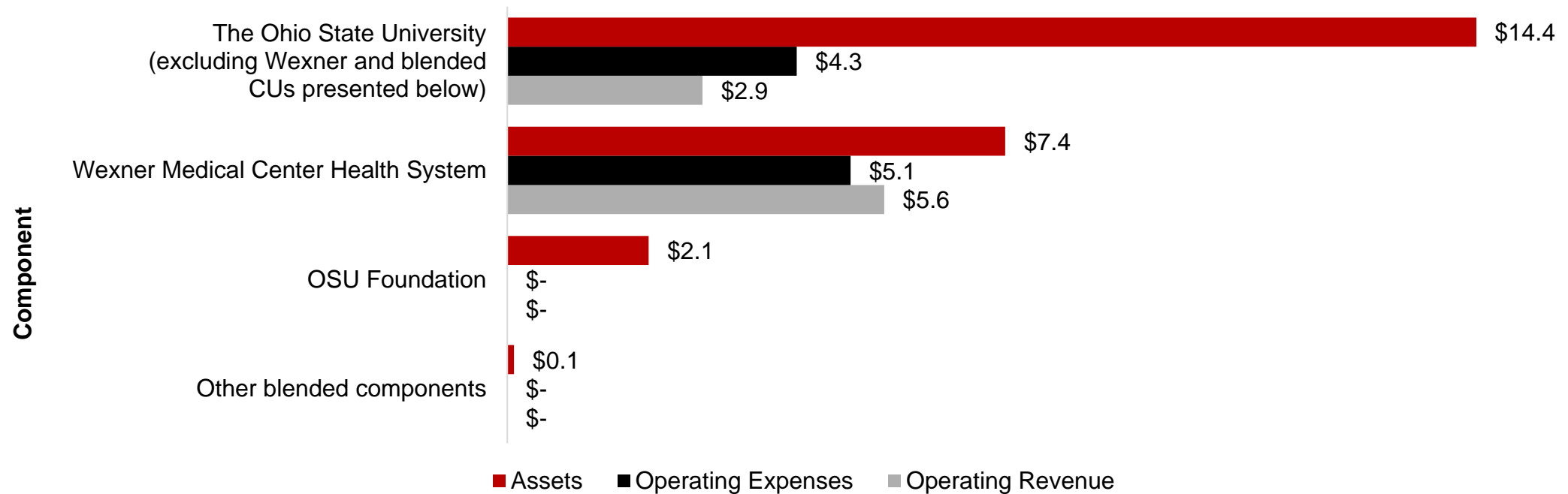
✓ = Matters to report      X = No matters to report

# 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

2025 Assets and Deferred Outflows of Resources, Operating Expenses, and Operating Revenue  
(in billions of dollars)

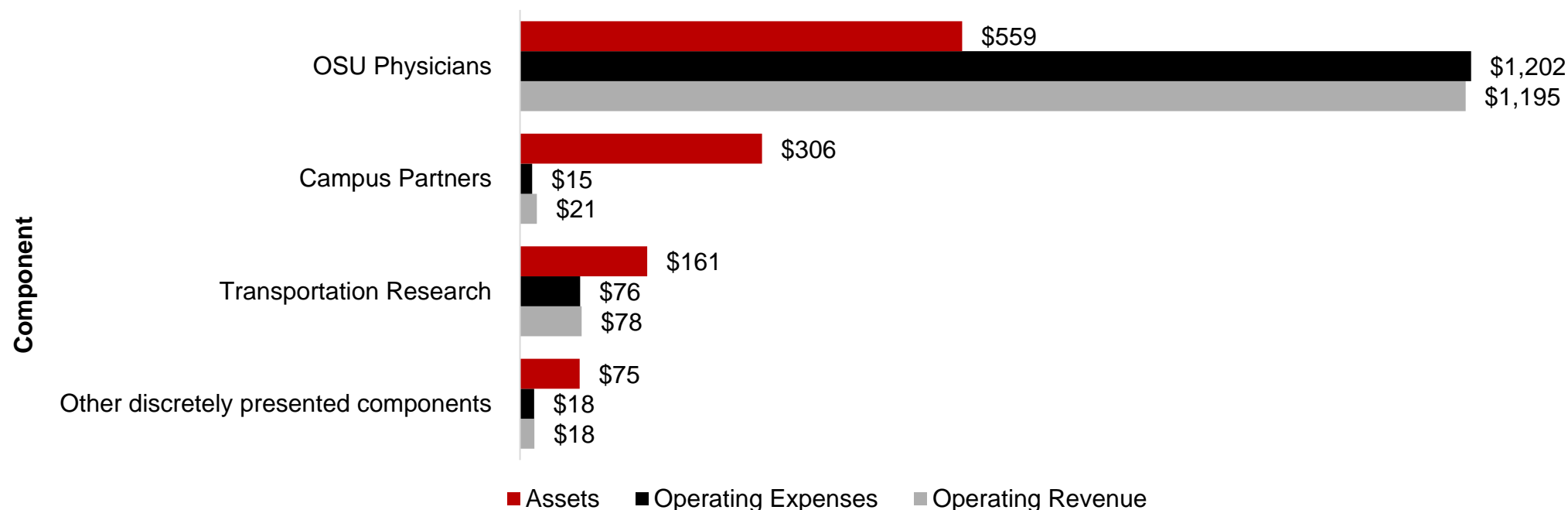


# Financial reporting entity (continued)

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

2025 Assets and Deferred Outflows of Resources, Operating Expenses, and Operating Revenue  
(in millions of dollars)

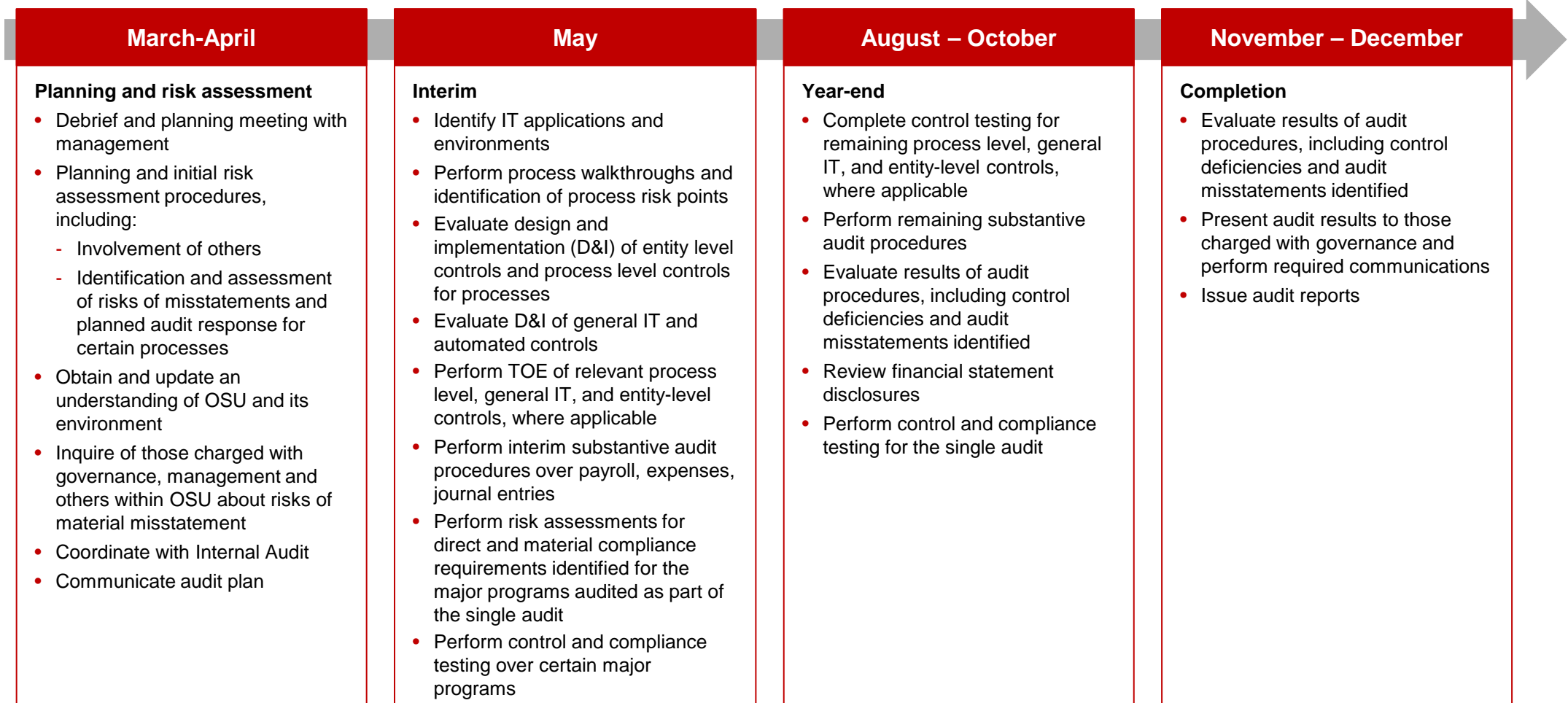


# Materiality in the context of an audit

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

<p>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.</p>	<p>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.</p>	<p>Judgments about materiality involve both qualitative and quantitative considerations.</p>
<p>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.</p>	<p>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.</p>	<p>Judgments about the size of misstatements that will be considered material provide a basis for:</p> <ol style="list-style-type: none"><li>determining the nature and extent of risk assessment procedures;</li><li>identifying and assessing the risks of material misstatement; and</li><li>determining the nature, timing, and extent of further audit procedures.</li></ol>

# Our timeline



# Risk assessment: Significant risks

Significant risk	Susceptibility to:	
	Error	Fraud
<p><b>Management override of controls</b></p> <p>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</p>		<b>Yes</b>



# Risk assessment: Additional risks identified

Additional risks identified	Relevant factors affecting our risk assessment
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

Audit of financial statements	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



## **GASB Statement No. 103, *Financial Reporting Model Improvements***

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.



## **GASB Statement No. 104, *Disclosure of Certain Capital Assets***

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

Establishes requirements for certain types of capital assets to be disclosed separately in the capital asset roll forward required by Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. It also establishes requirements for assessing whether capital assets are held for sale and additional disclosures for those assets.

# 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); and
- new officers or trustees with the ability to affect decision-making, individuals 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, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons; and
- 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

- Communicate 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.
- Obtain from those charged with governance information relevant to the audit.
- Provide 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.
- Promote effective two-way communication between the auditor and those charged with governance.
- Communicate 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?
- Have there been any instances of actual or possible violations of laws and regulations, including illegal acts (irrespective of materiality threshold)?
- 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 2026 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 2026 major programs:

FY24 Major programs – audited	FY25 Major programs – audited	FY26 Major programs – planned*
<ul style="list-style-type: none"> <li>• Research and Development Cluster</li> <li>• Student Financial Assistance Cluster</li> <li>• Supplemental Nutritional Assistance Program Cluster</li> <li>• Disaster Grants – Public Assistance (Presidentially Declared Disasters)</li> <li>• Airport Improvement Program</li> </ul>	<ul style="list-style-type: none"> <li>• Research and Development Cluster</li> <li>• Student Financial Assistance Cluster</li> <li>• Medicaid Cluster</li> <li>• Fish and Wildlife Cluster</li> </ul>	<ul style="list-style-type: none"> <li>• Research and Development Cluster</li> <li>• Student Financial Assistance Cluster</li> <li>• Head Start Cluster</li> <li>• Smith-Lever Funding (Various Programs)</li> </ul>

\* Finalization of major program determination is dependent upon the final supplementary schedule of expenditures of federal awards, risk assessment procedures, and requirements of the 2026 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.

# Appendix

2026 higher education industry update

Pages 22-48

# 2026 higher education industry update



## The Ohio State University

Legal, Risk, Audit & Compliance Committee

Prepared on:  
April 23, 2026

Read-only materials

# Topics

- Top focus areas for higher education audit committees and internal audit in 2026
- Current landscape: federal policy impacts on higher education (March 2026)
- Research and other grant funding
- Changes to federal student loan programs
- International student enrollments (March 2026)
- Foreign gift and contract reporting
- *2025 NACUBO-Commonfund Study of Endowments*



**Top focus areas for  
higher education  
audit committees  
and internal audit  
in 2026**

# Top focus areas for higher education audit committees in 2026

While the pace and volume of federal policy changes affecting the industry slowed entering 2026, the audit committee's risk agenda will continue to evolve and demand close attention over the next year. We've highlighted several potential focus areas below, many of which overlap with sector risks more broadly.

1. As the government policy landscape continues to develop – from research and student aid funding to taxes and Title XI compliance – understand impacts on funding, staffing, reporting and compliance, controls, and reputation.
2. Help ensure the institution's enterprise risk management (ERM) program is built for the rapidly changing federal, state, economic, and geopolitical environments – scenario planning remains critical.
3. Understand the institution's acceptable use, security, and other governance policies around generative and agentic AI and help shape the committee's oversight responsibilities in these areas.
4. Ensure the committee stays focused on overseeing emerging cybersecurity and data governance risks.
5. Ask how management is assessing the potential financial, programmatic, enrollment, and compliance impacts of new federal student loan and grant regulations.
6. In the wake of 2025's NCAA-House settlement, understand how the institution is navigating the new funding and compliance risks and complexities involving the institution's athletic programs.
7. As the institution refines its business model, ask how talent in finance and other key administrative functions is adapting to be more efficient while ensuring resiliency in policies and controls.
8. Inquire about management's processes to ensure the integrity and consistency of financial and nonfinancial data provided to creditors, ranking agencies, and other third parties.
9. Ensure internal audit has the resources and skills to focus on the institution's most urgent risks and understand how it is using AI and other enabling technologies.
10. Take a fresh look at the audit committee's agenda, workload, and capabilities.



*United Educators  
2026 Top Risks  
Report\**

1. Admissions and Retention
2. Data Security/ Cybersecurity
3. Compliance (Non-Title IX/VAWA)
4. Operational Pressures
5. Facilities and Deferred Maintenance
6. Funding/Financial Stability
7. Student Mental Health
8. Recruitment and Hiring
9. Public Safety
10. Athletics

\* Based on survey responses from May-October 2025.

# Top focus areas for higher education internal audit in 2026

The opportunity for internal audit (IA) to maximize its influence within the institution and help respond to risk is ever-increasing. Since early 2025, we have observed IA functions pivoting from planned activities to assisting boards and management teams with federal investigations and other emerging risk priorities. IA teams will need to remain nimble in 2026 as the fast-changing environment continues to prompt shifts in risk focus.

We've highlighted several risks and other focus areas to help maximize IA's value to the institution in 2026.

1. Appropriateness of internal controls and staffing amid federal policy changes and related financial and operating pressures.
2. Adoption of the Institute of Internal Auditor's (IIA) Global IA Standards and embracing the IIA's Global Guidance.
3. Management of cybersecurity and data governance in campus and patient care environments, especially emerging AI-driven threats and regulated data.
4. Appropriateness and extent of the institution's use and governance of generative and agentic AI.
5. Strength of protocols around research compliance and integrity, including pre- and post-award grant administration.
6. Appropriateness of and compliance with gift acceptance, endowment, and other policies for complying with donor restrictions.
7. Integrity and consistency of data used for sustainability, rankings, and other external disclosures..
8. As to athletic programs, adequacy of governance around contractual, operational, and compliance processes.
9. Adequacy of key performance indicators to measure compliance, training, and other institutional imperatives.
10. How digitization—including routines, dashboards, and AI to enable risk assessment and real-time auditing—can help mitigate IA's workload and improve efficiency.

# Current landscape: federal policy impacts on higher education

April 2026

# Current landscape: federal policy impacts on higher education

Several executive and legislative priorities of the new federal administration and Congress began to impact U.S. colleges and universities in 2025 and could have significant long-term consequences for the industry. The initial velocity and volume of executive orders (EOs), many of which continue to face legal challenges, and legislative changes – including those in the “One Big Beautiful Bill Act (OB3)” passed on July 4, 2025 – have created funding gaps, complicated financial planning and compliance with regulations, and prompted policy and operational changes. While the volume of federal policy activity affecting the industry subsided heading into 2026, the industry is likely to continue to experience disruption and further impacts. Some of the more significant challenges to date include the following:

## **Research and other grants**

Reductions in and realignment of federally funded research and other grants and contracts based on new agency priorities have occurred, including changes in oversight protocols for grantmaking and a preference for institutions with lower indirect cost rates.

## **Department of Education**

The administration’s stated goal is to eliminate the U.S. Department of Education (ED), curtail and restructure certain grant and loan programs, and redistribute certain of ED’s functions to other federal agencies, such as the U.S. Treasury Department. OB3’s more restrictive limits on student loans beginning in the second half of 2026 means students and institutions could be looking to the private sector to fill funding gaps.

## **Tariffs**

Implementation of tariffs across global trading partners. While in February 2026 the Supreme Court determined that most of tariffs newly imposed since early 2025 were illegal, other means to implement tariffs continue to be tested by the administration. Inconsistent tariff policy has created economic uncertainty, higher costs for goods and services, and exacerbated existing enrollment and tuition pricing pressures at some institutions.

# Current landscape: federal policy impacts on higher education (cont'd)

## **DEI**

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. While several institutions have entered resolution agreements and seen a resumption of funding, certain institutions remain under investigation.

## **Environment**

A pivot away from clean energy and climate change initiatives, including grant funding, as well as tax incentives revised in OB3, and elimination of certain longstanding environmental regulations.

## **Travel and immigration**

More aggressive immigration and deportation policies have affected international students and faculty, as well as overseas programs. In addition, restrictions on international travel and issuance of international student and work visas have grown significantly.

## **Geopolitical developments**

The shifting of U.S. foreign policy has begun to reshape the global order. Geopolitical developments in the Middle East (including the war in Iran), Eastern Europe (Ukraine), and other regions amid new U.S. foreign policy directives have affected international activities carried out by U.S. institutions. These emerging global issues have also amplified political divides and protests on campuses, as well as activities attracting federal scrutiny.

# Current landscape: federal policy impacts on higher education (cont'd)

## Federal taxes

Several provisions in OB3 could affect colleges and universities moving forward, including:

- “Excess” compensation: The definition of “covered employee” for excise tax purposes has been expanded, affecting tax-exempt organizations with remuneration exceeding \$1 million.
- Charitable giving proposals: Changes include a new floor on corporate and individual charitable deductions, along with adjustments to deduction limits.
- Increased tax rates on net investment income (NII) for certain private colleges and universities (so-called “endowment tax”): A new tiered tax rate structure is introduced, with an increased threshold for applicable institutions. The revised structure also limits applicability of the tax to institutions enrolling at least 3,000 tuition-paying students in the preceding tax year, a significant increase from the 500 tuition-paying student threshold under current law.
- Direct pay for energy credits: While direct pay provisions are retained, several energy credits have been terminated or modified, potentially impacting clean energy investments.
- Tax credit for contributions of individuals to scholarship granting organizations: A nonrefundable tax credit is established for contributions to specific scholarship organizations, with defined income and credit limits.
- Blocking Employee Retention Tax Credit (ERTC) or refund claims: The IRS is barred from processing certain ERTCs filed after January 31, 2024.
- Other provisions: Enhancements have been made to opportunity zone and low-income housing tax credit programs.

# The responses we are seeing in the industry

The disruption and destabilization of several aspects of the higher education sector, with individual institutions affected to varying degrees. Following are some of the actions and activities we have observed senior administrators taking in response to the rapidly evolving environment.

- Establishment of working groups around key risk areas
- Communications to and oversight by trustees
- Increased legal analysis and activity
- Evaluation of tariff impacts on costs and supply chains
- Evaluation of research enterprise and other grant impacts
- Assessment of changes to the Department of Education
- Assessment of immigration, deportation, and travel policy changes
- Reevaluation of DEI/ESG initiatives
- Enhanced modeling, sensitivity analysis, and scenario planning
- Operational and financial changes
- Enhanced financial reporting and disclosures
- Reconsideration of fundraising goals
- Reassessment of investment and endowment strategies
- Evaluation of tax implications
- Changes in internal audit focus

# Federal research and other grant funding

# Federal research and other grant funding

Driven by policy directions from the new administration, in early 2025 a shift in federal global, health, scientific, and other priorities led to the suspension or cancellation of specific research and other grants. This included, for example, cancellation of clinical trials related to cancer and vaccine research, as well as elimination of other grant programs related to sustainability and other social initiatives. The most significant change involved the dismantling of the U.S. Agency for International Development (USAID) – previously the largest international humanitarian and development assistance provider – which resulted in the cancellation of over \$40 billion of annual foreign aid. In addition, the administration introduced several actual and proposed changes to grant administrative requirements.

## Research funding

During 2025, a substantial decrease in new grant funding opportunities posted by the Department of Health and Human Services (HHS) prior to the government shutdown in October—compounded by the administration’s proposal to deeply cut budgets at several agencies, including a 40% reduction for the National Institutes of Health (NIH)—signaled further declines in federal grant funding.

However, a bipartisan funding package put forth by Congress in January 2026 staved off proposed cuts at the National Institutes of Health (NIH), the National Science Foundation, Department of Energy, and other agencies, maintaining and in some cases increasing agency budgets and certain scientific research funding.

## Administrative requirements

In terms of grant administration, some executive orders (EOs) and agency directives have introduced further constraints, e.g., more stringent regulations on "no-cost" grant extensions, as well as proposals to reduce and change the ways in which indirect costs are recovered.

# Federal research and other grant funding (cont'd)

## **Indirect cost recoveries**

Institutions with federally sponsored research have traditionally recovered a portion of their indirect costs—those necessary to support research infrastructure and administration—through rates negotiated with cognizant federal agencies, commonly known as indirect cost rates (ICRs). These negotiated rates have historically been vital for enabling institutions to sustain their research enterprises.

In 2025, NIH and other federal agencies issued supplemental guidance prospectively imposing a 15% cap on ICRs related to new and existing research awards. A subsequent EO issued in August 2025 directed federal agencies to give preference to institutions with lower ICRs when awarding discretionary grants. For most research institutions, these policy changes would lead to a significant decrease in amounts they could recover for indirect costs, posing substantial financial and operational challenges.

## **Current state and emerging models**

At least for now, litigation to date and the bipartisan research funding legislation passed by Congress in January 2026 have allowed the traditional ICR model to stay in place and prevented the federal government from capping ICRs at 15%.

Still, the negotiated federal ICR structure that has been in place for decades is, if not under immediate threat, certainly ripe for review. Accordingly, entities whose research enterprises are dependent on federal funding have been considering alternative ICR models for some time.

# Federal research and other grant funding (cont'd)

## **“FAIR” model**

In response to the emerging pressures on the traditional ICR models, the Joint Associations Group—a national committee representing academic, medical, and independent research organizations—has proposed a new model for indirect cost recovery: Financial Accountability in Research (FAIR).

The traditional ICR model applies a uniform rate to all types of federally funded research, even though certain types of research, i.e., biomedical, have inherently higher cost structures. The traditional model also does not adequately account for the substantial growth in regulatory compliance costs in recent years and is constrained by various federal caps and budget limitations, often making effective recovery rates much lower. The FAIR model attempts to address these shortcomings by introducing three distinct cost categories, enabling a more nuanced and accurate allocation of both direct and indirect costs associated with different types of research activities. While this approach increases complexity, it is designed to more precisely reflect actual costs institutions incur when conducting federally funded research. While other models have emerged over time, the FAIR model has received the most attention.

## **Looking forward**

It remains uncertain when—or if—the FAIR model, or another alternative to the current ICR model, will be adopted. For now, the traditional ICR model remains in place and institutions continue to recover indirect costs at negotiated rates.

Should a transition to FAIR or another model eventually occur, institutions would need to establish new systems, policies, and internal controls to support the revised approach to cost attribution and recovery and compliance with related administrative requirements.

# Changes to federal student loan programs

# Changes to federal student loan programs

Among other things, OB3 introduces substantial reforms to federal student loan programs, affecting both borrowers and institutions in terms of borrowing limits, repayment reforms, and institutional accountability. Most of the changes are scheduled to take effect for any period of instruction beginning on or after July 1, 2026.

## Federal student loan limits: previous law vs. OB3

Borrower category	Loan limits under previous law	Loan limits under OB3
Undergraduate students	\$5,500 to \$12,500 annually; \$31,000 to \$57,500 in aggregate	\$5,500 to \$12,500 annually; \$31,000 to \$57,500 in aggregate
Nonprofessional graduate students	Cost of attendance, as determined by the institution	\$20,500 annually; \$100,000 in aggregate
Professional graduate students	Cost of attendance, as determined by the institution	\$50,000 annually; \$200,000 in aggregate
Parents of undergraduate students	Cost of attendance, as determined by the institution	\$20,000 annually; \$65,000 in aggregate per child

Source: US Department of Education, Federal Student Aid, <https://studentaid.gov/help-center/answers/article/how-much-money-can-i-borrow-federal-student-loans>; and One Big Beautiful Bill Act, H.R. 1, 119th Cong. (2025).

# Changes to federal student loan programs (cont'd)

## Federal student loan limits: previous law vs. OB3 (cont'd)

- Of \$1 trillion in loans expected to be originated in the next decade, about half will go to graduate students, which account for less than 20% of total postsecondary enrollments. Historically, graduate students and parents of undergraduates could borrow up to an institution's cost of attendance.
- Moving forward, most graduate programs will face annual caps of \$20,500, whereas professional programs including law, medicine, dentistry and other stipulated programs will be capped at \$50,000. Overall, about 20% of master's students borrow above the new limits, a figure which climbs to 25% at private not-for-profit universities, and about 40% of medical students borrow above the \$50,000 cap.
- Graduate non-professional students are capped at \$20,500 annually, and as noted, professional students are capped at \$50,000 annually. Among other things, ED's Proposed Rule published in the Federal Register on January 30, 2026 (with comments due by March 2, 2026) would reclassify several degree programs previously classified as professional—such as nursing and occupational therapy—to non-professional, meaning they would be subject to the lower annual graduate cap of \$20,500. These changes significantly alter the borrowing landscape and may require many institutions to reassess the availability and structure of financial aid packages for affected students.
- Also noteworthy is that the legislation eliminates Grad PLUS loans for graduate and professional students, removing a key borrowing option for those pursuing advanced degrees.

# Changes to federal student loan programs (cont'd)

## Repayment reforms

- Historically, income-driven repayment plans (IDRs) have allowed borrowers to align repayment of loans to their incomes
- Previous IDRs included, for example, SAVE, PAYE, which because of payment caps often resulted in low monthly payments and partial loan forgiveness.
- Effective July 1, 2026, OB3 eliminates all current IDRs for new borrowers and replaces them with 1) a standard plan and 2) the Repayment Assistance Plan (RAP).
- The standard plan amortizes on mortgage-type basis over 10 to 25 years, depending on the borrower's initial balance, whereas RAP varies payments with income but will require significantly higher payments than were required under prior IDRs. This is expected to result in faster repayment and less loan forgiveness.

## Institutional accountability

- OB3 introduces a new “do no harm” test that revokes a degree-granting program's eligibility for federal student loans if graduate (i.e., associate, bachelor's, master's, doctoral, professional) earnings are too low.
- Under the test, median annual earnings of graduates are measured four years after program completion and compared to a benchmark chosen by program indicating what the graduate may have earned had they not pursued the degree in the first place. The idea is that if the earnings are below the benchmark, the program is likely not creating economic value and may be doing “harm” to students as a result.
- If a program fails the earnings benchmark test for two out of any three consecutive years, the program would no longer be eligible for federal loan disbursements.
- While only a small number of undergraduate programs are likely to be impacted, certain professional degree programs (particularly at for-profit institutions) could eventually lose eligibility under the new rules.

# Ramifications of changes to federal student loan programs

The changes to federal student financial loan regulations introduced by OB3 are transformative and present challenges to the sector. Key provisions and strategic recommendations for adapting to the new landscape are presented below.

## 1. Loan caps and potential revenue disruption:

- While loan limits for undergraduate students will be unchanged, graduate students and parents of undergraduate students will be subject to new annual and aggregate loan caps. Previously, loan limits for graduate students and parents of undergraduate students were limited to cost of attendance, which provided more borrower flexibility. Accordingly, undergraduate and graduate programs may be impacted by these new limits.

*Recommendation: Engage academic affairs, institutional research, and career services in financial planning. Inform stakeholders (faculty, students, trustees) about financial changes and institutional responses. Planning should be revised to incorporate best- and worst-case financial aid scenarios, reflecting new borrowing limits and simulated impacts of loan caps.*

## 2. Income-driven student loan repayment:

- The bill will prevent borrower balances from rising over time and require more rapid repayment by borrowers.

*Recommendation: Factoring in how these changes may affect borrowing activity in financial aid scenarios and providing information to students and parents about the implications of these new rules will be critical.*

## 3. Greater accountability for institutions:

- With some exceptions, the law makes institutions accountable for poor student outcomes and institutes a “do no harm” test that could result in the revocation of a degree program’s eligibility for federal loans if graduates’ earnings do not exceed certain levels. This could result in the loss of funding for some programs.

*Recommendation: Funding will shift from enrollment-based to outcome-based models. Align academic offerings with labor market demands. Invest in predictive analytics to track student outcomes and financial exposures. Enhance alumni tracking systems to support earnings-based metrics.*

## 4. Regulatory and compliance changes:

- Given these and other changes, managing compliance with financial aid programs will require new policies, procedures, and internal controls.

*Recommendation: Institutions should expect greater scrutiny of program outcomes and have robust systems to monitor compliance.*



# International student enrollments

March 2026

# International student enrollments

Analysis published by NAFSA: Association of International Educators shows that international students studying at U.S. colleges and universities contributed \$43 billion to and supported 356,000 jobs in the U.S. economy during the 2024-2025 academic year.

Since early 2025, the federal government has implemented aggressive immigration, deportation, and travel policies, issued executive orders affecting various aspects of higher education administration, and investigated certain institutions for alleged violations of the Civil Rights Act of 1964.

Recent data indicating a severe decline in international student visas during 2025 suggests that a significant decline in international student enrollments could follow.

## **U.S. Department of State (DOS) data**

As reported in March 2026 by the Chronicle of Higher Education, the data show that the number of F-1 student visas issued worldwide from May to August 2025 experienced a steep 36% decline compared to the same period in 2024. This equates to 97,000 fewer visas, a more precipitous drop than previously suggested by a preliminary snapshot survey in fall 2025 by the Institute of International Education and other global education groups. While that survey showed a 17% decrease in new international student enrollments, it is likely that the actual decline is higher.

## **Disproportionate impact on key countries of origin**

India – now the top country for sending students to the U.S. – was hit especially hard, with a staggering drop of more than 60% in student visas issued over the summer of 2025. Nigeria and Ghana, previously considered promising markets for American colleges, also saw outsized declines in visa issuances.

# International student enrollments (cont'd)

## Primary causes for the decline

While international enrollments had started to decrease in 2024, the visa processing freeze turned a "soft market into a severe contraction," with significant negative implications for both the U.S. economy and its higher education sector. The main trigger for the nosedive was a nearly month-long freeze in May 2025 on scheduling student-visa interviews, which was abruptly imposed by DOS. The downturn is also attributed to weakening global interest in studying in the U.S., influenced by factors such as:

- A proposed rule to put a time limit on student visas;
- Visa cancellations for minor infractions;
- Actual and threatened cuts to research funding; and
- The federal government's stated sentiment that entry into the U.S. is a "privilege, not a right."

## Economic impact

The drop poses a significant threat to the economy, risking the loss of billions of dollars in economic activity and tens of thousands of American jobs.

## University finances and operations

India and China, at 62% and 35%, respectively, were the two largest contributors to visa issuance declines from FY24 to FY25. Anecdotally, we've observed that highly selective colleges and universities reliant on international students experienced relatively small declines in first-time full-time freshman undergraduate international students in the FY26 academic year. However, less-selective institutions likely experienced more significant declines. Many affected institutions are facing budget and staffing cuts as a direct result of these enrollment declines.

# Foreign gift and contract reporting

# Foreign gift and contract reporting

## **Current regulation**

Section 117 of the Higher Education Act of 1965 mandates that most public and private institutions report foreign gifts and contracts to the federal government. Specifically, institutions must disclose any foreign gift or contract, whether individually or combined with other sources from the same foreign entity, that totals \$250,000 or more within a calendar year. This requirement aims to ensure transparency regarding the flow of foreign funds into educational institutions. (As recently as in 2025, legislative proposals would have substantially reduced the \$250,000 threshold and require additional information to be reported, but they were unsuccessful.)

## **How compliance with the regulation is monitored**

The U.S. Department of Education (ED) oversees compliance with Section 117, managing collection and dissemination of data related to institutional disclosures. With growing concerns among Congress and federal agencies about potential foreign influence, particularly in institutions that receive substantial federal research funding, there has been an increased emphasis on the accuracy and transparency of these disclosures. To further support transparency, in January 2026 ED introduced the Section 117 Foreign Gift and Contract Public Transparency Dashboard. This online resource provides public access to each institution's foreign funding by country. As a result, stakeholders can more easily review and analyze the scope and nature of foreign financial relationships within higher education.

## **Recommendation**

Given the increased scrutiny and reputational implications of Section 117 reporting, management should ensure that its protocols for gathering, reporting, and validating information reported to ED are sufficiently robust.

**2025 *NACUBO-*  
*Commonfund Study*  
*of Endowments***

# 2025 NACUBO-Commonfund Study of Endowments

Released in February 2026



## Respondents

- A total of 657 institutions—aggregating \$944.3 billion of total endowment value—took part in the Study, which covered the fiscal year ended June 30, 2025, and included private and public institutions and institutionally related entities (such as foundations).
- Consistent with FY24, Study data were arranged in seven cohorts based on size, which ranged from endowments with assets under \$50 million to those with assets over \$5 billion. The median endowment size was \$253.6 million.
- Once again, the Study showed that endowment wealth in the sector remains heavily concentrated, with 86% of total market value reported held by 160 respondents having endowments of \$1 billion or more.



## Returns

- The Study showed an average return for FY25 of 10.9%, vs. the 11.2% return reported for FY24.
- While the average one-year return declined slightly from FY24, average annualized returns for all remaining multi-year periods, i.e., 3-year through 25-year, increased due to the second straight year of very strong performance, with the 3-year increasing from 3.4% to 10.0%.
- Endowments over \$5 billion had a median return of 11.7%. While this was the highest of the seven cohorts, interquartile and cohort dispersions of returns overall were tighter than in the past, with the greatest dispersion between the 75<sup>th</sup> and 25<sup>th</sup> percentiles in endowments under \$50 million (2.8%).



## Asset allocation

- Asset allocation across cohorts was consistent with FY24. With allocations to Alternative Strategies at 51%, Real Assets at 11%, and Other at 5%, endowments over \$5 billion invested two-thirds of their assets in other than public equities and fixed income.
- In recent years, asset allocation was a more significant factor creating one-year return differences among the seven cohorts in the Study, with smaller institutions' larger allocations to public equities often resulting in stronger performance. In FY25, endowments over \$5 billion (which have the lowest allocation to public equities) produced the highest median returns. In the FY24 Study, this cohort had the lowest average one-year return.

# 2025 NACUBO-Commonfund Study of Endowments(cont'd)

Released in February 2026



## Spending

- Distributions from endowments in FY25 increased nearly 11% over FY24. The average effective annual spending rate increased moderately to 4.9% in FY25 (vs. 4.8% in FY24).
- Consistent with FY24, endowment spending in FY25 funded primarily student financial aid (47%), followed by academic programs and research (18%), endowed faculty positions (11%), campus operations and maintenance (8%), and all other purposes (17%). Endowments funded an average of 15.2% of annual operating budgets in FY25 (up from 14.0% in FY24 and 10.9% in FY23).
- 83.5% of distributions were within the institution's spending policy, and 5.3% were special appropriations.



## Fundraising

- New gifts to endowments in FY25 were just under \$14.0 billion (down 9.2% from FY24, when new gifts to endowments totaled \$15.4 billion). The average new gift in FY25 for all Study participants was \$22.6 million (vs. \$24.8 million in FY24). Those respondents with endowments under \$50 million reported a 26.1% decline in new endowment gifts.
- Despite these declines, the total value of respondents' endowments—supported by double-digit returns from all seven cohorts in the Study—grew 7.5% in FY25.
- Because of exceptional cumulative returns and fundraising results, the six private and four public institutions constituting the top 10 endowments ended FY25 comprising 33.9% of total endowment value, with an average endowment value of \$32.0 billion.



## Use of OCIOs

- The use of external consultants and advisors—particularly outsourced chief investment officers (OCIOs)—for portfolio management is widespread in the industry, at 46.2% of institutions surveyed.
- Indeed, for the four cohorts comprising endowments of \$500 million or less, usage is over 50%. The cohort with the highest usage is endowments between \$101 million - 250 million, at 61.3%. This is not surprising, given resource constraints on staffing and talent at those levels.
- While endowments over \$5 billion reported no OCIO usage, OCIO usage for endowments between \$1 billion - \$5 billion increased from 20.6% in FY24 to 23.3% in FY25.



# Thank you

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# 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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# **Department of Internal Audit**

## **Fiscal Year 2027 Internal Audit Work Plan**

Brian Newell, Chief Audit Executive

**Legal, Audit, Risk and Compliance Committee**

June 2, 2026



# Overview – Fiscal Year 2027 Internal Audit Work Plan

- 5-Year Strategic Audit Work Plan (Fiscal Years 2027 – 2031)
  - Annually adjusted and rolled forward
  - Primary components (University, Wexner Medical Center, Information Systems)
  - Incorporates affiliated entities – classified as component units for financial reporting purposes
- Risk-Based Approach
  - Incorporates emerging risks – collaboration with executive leadership, management, Compliance, Risk Management, external auditors, and other partners
  - Areas with greatest perceived risk are audited more frequently (annual, 2-year, 3-year, and 5-year audit cycles)
  - Types of risk considered (financial, regulatory, compliance, reputational, technology, etc.)
- Common High-Risk Areas in Higher Education
  - Cybersecurity, research, enforcement actions and regulatory change, and the changing landscape of college athletics



## **SUMMARY OF ACTIONS TAKEN**

*March 4, 2026 – Legal, Audit, Risk and Compliance Committee Meeting*

### **Members Present:**

Elizabeth P. Kessler  
Bradley R. Kastan

Juan Jose Perez  
Patrick C. Arp

Amy Chronis  
John W. Zeiger (ex officio)

**Members Present via Zoom:** N/A

**Members Absent:** N/A

## **PUBLIC SESSION**

The Legal, Audit, Risk and Compliance Committee of The Ohio State University Board of Trustees convened on Wednesday, March 4, 2026, at the Longaberger Alumni House on Ohio State's Columbus campus. Committee Chair Elizabeth Kessler called the meeting to order at 3:24 p.m.

### **Item for Discussion:**

1. **External Audit Update:** David Gagnon, lead engagement partner and national industry leader for higher education at KPMG, provided an overview of the university's single audit, which is required by the federal government. This year, the major programs tested were the Research and Development Cluster, Student Financial Aid Cluster, Medicaid Cluster and the Fish and Wildlife Cluster. No issues were identified in any of the programs, and the audit was submitted ahead of schedule.

(See Attachment X for background information, page XX)

### **Item for Action:**

2. **Approval of Minutes:** No changes were requested to the December 3, 2025, meeting minutes; therefore, a formal vote was not required, and the minutes were considered approved.

### **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 discuss security protocols; business-sensitive trade secrets; personnel matters regarding the appointment, employment and compensation of public employees; and to consult with legal counsel regarding pending or imminent litigation.

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. Perez, Mr. Arp, Ms. Chronis and Mr. Zeiger.

The committee entered executive session at 3:28 p.m. The meeting adjourned at 5:43 p.m.

DRAFT

**APPROVAL OF FISCAL YEAR 2027 INTERNAL AUDIT PLAN**

Synopsis: Approval of the Fiscal Year 2027 internal audit plan is proposed.

WHEREAS the Department of Internal Audit provides independent and advisory assurance and consulting services designed to add value and improve the operations of The Ohio State University; and

WHEREAS the Department of Internal Audit governs itself by adherence to the mandatory elements of The Institute of Internal Auditors' Global Internal Audit Standards™, which includes presenting its internal audit plan to the university's Board of Trustees for approval; and

WHEREAS the Department of Internal Audit presented its FY2027 internal audit plan to the Legal, Audit, Risk and Compliance Committee:

NOW THEREFORE

BE IT RESOLVED, That the Board of Trustees hereby approves the FY27 Internal Audit Plan.