

**Meeting of the
Audit Committee**
Connecticut State Colleges and Universities
Board of Regents for Higher Education
61 Woodland Street
Hartford, CT
Tuesday, October 10, 2017 @10:00

MINUTES

Regents Present

Elease Wright, Chair
Aviva Budd
William McGurk – telephonic
JoAnn Price

BOR Staff Present

Erika Steiner, Chief Financial Officer; Chris Forster, Controller; Michael Moriarty, CFO Charter Oak; Keith Epstein, Vice President for Facilities and Infrastructure Planning; Ernestine Weaver, Counsel; Melissa Schwalbach, Assistant Counsel

Others

Fred Hughes, Virendra Shah, Joe Quino – BlumShapiro; Claire Esten, Brittany Kelley, Justin Morrow – Grant Thornton

With a quorum present, Chair Wright called the meeting to order at 10:00 a.m.

1. Approval of the Minutes of May 23, 2017

Motion by Regent Budd, seconded by Chair Wright, to approve the minutes of the May 23, 2017 meeting. The motion was carried.

2. Compliance Programs (Erika Steiner/Ernestine Weaver)

CFO Steiner provided an overview of plans for moving forward with the institutional preparation of required financial statements, external audits and operational and financial compliance. The institutions prepares financial statements in accordance with accounting principles accepted in the U.S. The annual audit is prepared by an auditor external to the institution in accord with accepted auditing standards adopted by the American Institute of Certified Public Accountants. In addition to an independent audit report being required by CSUs as a condition of the CHEFA bond sales, audit reports are also necessary for NEASC and CSCU 2020 capital expenditures.

Independent auditors Grant Thornton are engaged by CSCU to conduct audits for the purpose of rendering opinions on 3 sets of financial statements: Connecticut State Universities, Connecticut

Community Colleges, and Charter Oak State College. The firm of BlumShapiro currently performs the audit and opinion for CSCU 2020. The state auditors, office of the Auditors of Public Accounts (APA) are responsible for conducting audits of all state agencies under the direction of two state auditors appointed by the state legislature. The federal auditors are responsible for various federal requirements, including the disposal, and return to the government of unused federal financial aid (Pell).

Until recently, CSCU also employed an internal audit department responsible for providing objective evaluation of business activities and operational efficiencies. With the dissolution of the internal audit department, a proposal is being made to improve compliance and audit findings with a different approach. The services of Melissa Schwalbach, Assistant Counsel in the CSCU Office of Legal Affairs, is being solicited to provide half of her time to compliance matters. The responsibilities will include the attending of all APA exit conferences; monitor and track open items; prioritize items; and identify system-wide trends that may require system-wide solutions. Other control considerations will include the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO is a standard embraced by public and private institutions as a guideline for ensuring controls are in place to protect stakeholder interests in any given enterprise.

Melissa Schwalbach was introduced to the Audit Committee members.

Chair Wright expressed her appreciation for the overview and the progress that is being made with the audits and Management Compliance Program.

3. New Audit Closing Calendar Status (Chris Forster)

Controller Forster reviewed the FY2017 Grant Thornton audit calendar. He commented that the Connecticut Community College Magnet Schools are being monitored. The Foundation Financial Statements which were due on October 1, have been received by the majority of the institutions. The financial statements are scheduled to be finalized by December 6 and draft copies will be distributed to Audit Committee members in advance of the December 12 meeting for review and recommendation to the full Board at the December 14 meeting.

Chair Wright noted that it may be necessary to host a conference call after receipt of the financial statements and in advance of the Board meeting. An executive summary will be provided to committee members to aid in their review of the total document. It was requested that BlumShapiro expedite their timeline in order to meet the deadlines.

4. CSCU 2020 Audit Report by BlumShapiro

Fred Hughes, Engagement Partner and Virendra Shah, Audit Principal at BlumShapiro, provided an overview of the draft report of CSCU 2020 Construction Expenditures. Management's responsibility included the preparation and presentation of the Schedule in conformity with the cash basis of accounting. The Auditors' are responsible for offering an opinion on the Schedule based on the audit. The results of the 2017 audit renders that the Schedule, including all material respects, the construction expenditures related to CSCU 2020 projects were paid and in

conformity with the cash basis of accounting. No changes were made from the planned audit approach. Therefore, an unmodified opinion was rendered by the auditors.

A question was raised whether BlumShapiro provide services to any of the colleges/universities. No institution should engage the services of an auditing firm without the consent of the BOR Audit Committee.

Motion by Regent Budd, seconded by Regent Price, to accept the CSCU 2020 Audit Report for the Year Ended June 30, 2017. Motion was carried.

5. Interim Report by Grant Thornton

Claire Esten, Partner, Grant Thornton, provided an update on the 2017 Audit. An on campus audit was conducted at each of the universities/colleges. Each of the institutions are on track in all audit areas and two audit adjustments were noted at Western. Audit fieldwork began on October 9 in the System Office.

The status of the IT Audit was reviewed. Testing of System Office and CCC instances of Banner is complete and currently undergoing the review process. Any findings will be communicated to management later this month. Testing is in process at Eastern and the IT audit team is following up on open items. Testing of Charter Oak system (Jenzabar) is complete and currently going through the review process. IT is committed to having a single system of Banner and standard accounts for all 17 institutions. The consolidation is not in the foreseeable future.

The accounting for bond transactions and interest rates was reviewed.

With no other business to discuss, the meeting was adjourned at 11:10 a.m. on a motion by Regent Budd, seconded by Chair Wright.