

**MEETING OF THE
AUDIT COMMITTEE**
Connecticut State Colleges and Universities
Board of Regents for Higher Education
39 Woodland Street
Hartford, Connecticut
Tuesday, December 9, 2014, at 11:30 a.m.

Minutes

REGENTS PRESENT

Craig Lappen, Chair
JoAnn Price
William McGurk
Elease Wright

REGENTS ABSENT

Robert Brown

BOR/CONNSCU STAFF PRESENT

Karen Stone, Director of Internal Audit; Erika Steiner, Chief Financial Officer; Christopher Forster, Controller; Susan Grant, Senior Finance Officer; Raymond Yirga, Director of Accounting and Finance; Rosalie Butler, Administrative Assistant for Finance

1. Approval of the September 9, 2014 Meeting Minutes

The minutes of the September 9, 2014 meeting were unanimously approved, as written.

2. Presentation by Blum Shapiro

- a. **Schedule of CSUS 2020 Construction Expenditures – Cash Basis June 30, 2014**
- b. **Required Communications**

Frederick J. Hughes, Partner; Virendra Shah, Principal

Messrs. Hughes and Shah provided Committee members with an overview of their audit of CSUS 2020 Project Expenditures for FY2014. They indicated they had been given full and complete access to the books, records, staff and management at both the System Office, DPS and the four universities. An unmodified or “clean” opinion will be issued, with no recommended adjustment and no findings of either material control weaknesses or significant deficiencies.

Acceptance of the Audit of CSUS 2020 Project Expenditures for FY2014 was unanimous.

Blum Shapiro Staff left the meeting at 11:55 a.m.

3. Presentation by O'Connor & Drew P.C. – Combined Financial Statements of Charter Oak State College and Connecticut Distance Learning Consortium for the Fiscal Year ended June 30, 2014

Cliff Williams, CFO, Charter Oak State College
Lawrence Wilkinson, Director of Finance, Charter Oak State College
Steve Cohen, Principal, O'Connor & Drew P.C.

Mr. Cohen provided Committee members with an overview of the audit of Charter Oak State College and Connecticut Distance Learning Consortium for FY2014. They indicated they had been given full and complete access to the books, records and staff. This is the first year combined statements have been issued for COSC and CTDL. O'Connor and Drew will issue an unmodified or "clean" opinion for FY14, with two recommended adjustments and no findings of either material control weaknesses or significant deficiencies.

Discussion followed regarding Paragraph 2 of Management's Discussion & Analysis. **Regents requested it be struck from the document.**

Acceptance of the FY2014 Financial Statements for Charter Oak State College and the Connecticut Distance Learning Consortium, as amended, was unanimous.

4. CSU and CCC Financial Statements (E. Steiner)

- a. FY2014 Financial Statements for the Connecticut State Universities and Community Colleges**
- b. CSU and CCC Highlights**

CFO Steiner provided Regents with a high-level overview of the FY2014 Financial Statements for the Connecticut State Universities and Community Colleges and the impact of shrinking unrestricted net assets at the Community Colleges, collective bargaining agreements, decreased enrollments and lower State support.

5. Presentation by PricewaterhouseCoopers LLP –

- a. Report to the Audit Committee of the Board of Regents**
- b. Report to Management Year Ended June 30, 2014**

Dave Jenkins, Lead Engagement Partner; Steven Manocchio, Risk Assurance Director; Shannon Smith, Managing Director; Heather Lashway, Senior Manager

PricewaterhouseCoopers staff provided Regents with a detailed overview of FY2014 Financial Statements, Management Letters and other required communications for the Connecticut State Universities and Community Colleges. An unmodified opinion has been issued on the financial statements. There were no material weaknesses and 3 significant deficiencies.

At 2:10 PM Chairman Lappen called for a move to Executive Session, Pursuant to CGS 1-210(b)(20), to discuss performance of employees with PricewaterhouseCoopers, specifically their independent assessment of control risks, employee cooperation received, and organizational quality of all finance and related areas managed by the President, CFO and Director of Internal Audit. All CSCU staff left the meeting at Chairman Lappen's request.

At 2:20 PM, Chairman Lappen announced the return of the Committee to Open Session, announcing no votes were taken while in Executive Session. CSCU staff returned to the meeting.

The FY2014 Financial Statements, Management Letter and Required Communications were unanimously accepted on a motion by Regent McGurk, seconded by Regent Price.

6. Review of BOR President Expense Reports (E. Steiner)

CFO Steiner indicated review of Presidential expenses had come at the request of Regent Donofrio. She walked Committee members through the approval process and provided Regents with a synopsis of Dr. Gray's expenses to date.

7. Internal Audit Update (K. Stone) –

a. NCC Financial Aid Audit

At 2:30 PM, Chairman Lappen called for a move to Executive Session, Pursuant to CGS 1-210(b)(20), to discuss "Records of standards, procedures, processes, software and codes, not otherwise available to the public, the disclosure of which would compromise the security or integrity of an information technology system." At his request, all CSCU staff members remained present.

At 2:50 PM, Chairman Lappen announced the return of the Committee to Open Session, announcing no votes were taken while in Executive Session.

b. Issue Tracking Report as of November 2014

Director Stone provided an update on Internal Audit department activities, as well as detail on open and closed audit recommendations.

8. College & University FY13 and FY14 Foundation Audits (C. Forster)

- a. Staff Report – Community College Foundations**
- b. Staff Report – Central Connecticut State University Foundation, Inc.**
- c. Staff Report – Eastern Connecticut State University Foundation, Inc.**
- d. Staff Report – Southern Connecticut State University Foundation, Inc.**
- e. Staff Report – Western Connecticut State University Foundation, Inc.**
- f. Staff Report – Connecticut State University System Foundation, Inc.**
- g. 17 Individual Foundation Financial Statements**

CFO Steiner referred Committee members to the comprehensive staff reports which accompany financial statements for each of the component units. She further explained that, per both State statute and BOR resolution, the college and university presidents must keep Regents apprised of pertinent information about the CSCU foundations and accept their independent audits annually. Discussion followed on the relationships between the BOR and the Foundations, which are 503(c) not-for-profit organizations.

The Committee acknowledged receipt of the FY13 and FY14 College and University Foundation Audits.

9. Adjournment

With no other business to discuss, the meeting was adjourned at 2:55 PM on a motion by Regent Wright, seconded by Regent McGurk.