

**Meeting of the
Audit Committee**
Connecticut State Colleges and Universities
Board of Regents for Higher Education
61 Woodland Street
Hartford, CT
Tuesday, December 12, 2017 @ 10:00

MINUTES

Regents Present

Elease Wright, Chair
Aviva Budd
William McGurk – telephonic

Regents Absent

JoAnn Price

BOR Staff Present

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

Guests

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 October 10, 2017

Motion by Regent Budd, seconded by Regent McGurk, to approve the minutes of the October 10, 2017 meeting. The motion was carried.

2. CFO Updates

CFO Steiner noted that President Ojakian submitted one expense report for the twelve months. Reimbursement was submitted for airfare to San Francisco to attend a meeting with other university presidents. Mileage is not reimbursed because he has use of a State gas card.

3. Year End Reports and Discussion

a. Report by Management

CFO Steiner reported that a meeting was recently held with the State Auditors of Public Accounts (APA). All of the Community Colleges with the exception of Capital Community College and Housatonic Community College were audited for the Fiscal Years ended June 30, 2014 and 2015, as well as the financial records of the Board of Regents for Higher Education. While the draft was submitted in February 2017, internal delays at the APA level prevented a draft report from being generated prior to December 2017. Many of the items identified in the report were new to the System Office with many being small items and 6-8 significant items.

Melissa Schwalbach, Assistant Counsel, reviewed the Auditors' significant findings and clarified steps that have been implemented or will be made to rectify the findings. There was a general discussion about the citing of a FMLA employee leave. Chairwoman Wright noted that the issue needs to be revisited because of the seriousness of the matter and a possible need for consequences. The Audit Report will be issued in January.

The reporting on the GASB 68 analysis was provided by CFO Steiner and Michael Moriarty, CFO Charter Oak College. The GASB 68 as adopted in FY15 into the financial statements requires recognition of a pro-rata share of the State's pension liability. CSCU employees are eligible for one of three pension plans. The SERS plan was focused on for discussion. The CSCU system fringe benefits and SERS contributions were reviewed.

Chris Forster, Controller, commented that although challenging, the audit was done in a timely manner. A meeting was convened with System Office personnel and Grant Thornton representatives to meet the November deadline. Everyone did an amazing job and there were no major issues reported.

On behalf of the Audit Committee, Chairwoman Wright thanked those involved in preparing the reports for their time and effort in this undertaking.

b. Report by Grant Thornton

Claire Esten, Partner and other representatives from Grant Thornton reported on the required communications for fiscal year ended June 30, 2017. A "representative list" of the significant items were reviewed as well as the procedures performed by the auditors and the results. There are additional open items that are less significant but necessary to address. Upon finalization of these items, Grant Thornton will perform updating inquiries with management prior to issuance. Areas of focus included: Tuition & fee revenue; Grant revenue and accounts receivable; Net Pension Liability; State and Capital Appropriations; Capital Assets; Cash and cash equivalents, Investments, and Bonds Payable; Net position and presentation of revenues within net position classes; and Adoption of new accounting pronouncements.

Grant Thornton obtained management's analysis of Statement No. 80 of the GASB, *Blending Requirements for Certain Component Units*, and determined that CSCU is not the sole corporate member of any of the discretely presented component units such that blended presentation was required. Therefore, there has been no change as a result of this guidance. Statement No. 82 of the GASB, *Pension Issues*, was also discussed and determined that it had no impact on the disclosures as they covered payroll previously presented by the System was consistent with the new guidance.

Grant Thornton noted that each of the Foundations at the Universities, Charter Oak State College and the Community Colleges have a separate auditor and that GT do not audit those audits. In the auditor's report on each entity's financial statements, reference is made to the audits performed by the other unaffiliated auditors.

In response to certain matters identified as significant deficiencies or material weaknesses in the 2016 audit, Grant Thornton is satisfied with management's implementation of compensating processes and controls. There are currently no internal control matters identified as significant deficiencies or material weaknesses. Deficiencies of a lesser magnitude have been communicated to management in regards to manual consolidation process; consistency over financial reporting across the University campuses; and Information Technology environment.

4. Management Report of Audited Foundation Financial Statements

Chris Forster, Controller, reported on the Universities and Colleges Financial Statements and provided financial highlights for Fiscal Years ending 2017 and 2016 (draft copies of the Financial Statements were provided for the Audit Committee). Each of the seventeen Colleges and Universities as well as the Connecticut State Colleges and Universities System has a related foundation. The Foundations are considered Component Units of the System for reporting purposes under GASB rules.

The auditor's opinions states that the financial statements present fairly, in all material respects, the financial position of the Foundations as of June 30, 2017 (or December 31, 2016) and the results of its activities and changes in net assets and functional activity for the year ended in conformity with generally accepted accounting principles in the United States.

With no other business to discuss, the meeting was adjourned at 11:55 a.m. on a motion by Regent Budd, seconded by Chairwoman Wright.