



Board of Regents

Audit Committee
Wednesday, December 14, 2022 @ 10:00 a.m.
Conducted Via Remote Participation

Meeting Minutes

AUDIT COMMITTEE MEMBERS	PARTICIPATING REMOTELY
Elease Wright, Chair	Yes
Aviva Budd	Yes
Rick Porth	Yes

CSCU STAFF PRESENT:

Ben Barnes, Chief Financial Officer
Melinda Cruanes, Controller
Pam Heleen, Recorder/Assoc. Director of Board Affairs
Mike Moriarty, CFO, Charter Oak State College

GUESTS:

Carolyn Kurth - CohnReznick
Claire Esten, Chris Bradford, David Stoffel - Grant Thornton

1. CALL TO ORDER

With a quorum present, Chair Wright called the meeting to order at 10:02 a.m.

2. APPROVAL OF MAY 9, 2022 AUDIT MEETING MINUTES

With a motion from Regent Wright and a second from Regent Porth, the motion was approved by unanimous voice vote.

3. DISCUSSION ITEMS

- **Update on Audits of the Auditors of Public Accounts (APA) - Melinda Cruanes**

The APA is currently performing the statewide single audit which reviews and tests the compliance of grants statewide. CCSU and WCSU fiscal 20 and 21 audits were published earlier this year and are posted on the APA website. ECSU began the audit of their fiscal 21 and 22 financials this week. SCSU, Charter Oak, and the colleges have not begun fiscal 21 and 22 audits.

- **Year-end Audit and Discussion**

- This year, the financial close for all three entities went very smoothly and timely.
- Earlier this year, it was reported that the System Office accounting team had been very busy working on the CT State merger and the transition of the Banner financial system, including the new payroll process. There have been some bumps in the road, and some are still being worked out. Ultimately, there was no adverse effect on the FY22 close.
- The GASB 87 lease standard was implemented this year. The standard requires that all leases that meet the standard be recorded on the balance sheet as there is no longer any distinction between capital and operating leases. Grant Thornton's advisory team was engaged to assist in extracting and compiling data from the contracts and POs. System Office management take responsibility for the calculations and data collected; they prepared the entries independent of Grant Thornton's service. Systemwide there were approximately 180 leases that fell under the GASB 87 standard. The state threshold for materiality (\$5,000 over the life of the lease) captured most of the copier leases in the system. Only 14 were real estate leases. In total, there is approximately \$14.1M in assets and \$14M in liabilities recorded to the balance sheet; the impact to net assets on the bottom line was very minimal.
- System Office management had originally planned on early implementation of GASB 96, which is very similar to GASB 87 but for software instead of equipment. But due to timing constraints, it was not implemented in FY22. They will be using Grant Thornton's advisory team again to assist with implementation in FY23.
- The snapshot for operations for FY22, without including the effect of pension and OPEB entries, unrestricted net position for the system has grown this year by about \$86M (+39%), which is largely attributed to increases in state appropriations and one time funding (COVID-related grant funding sources).
- The Foundation financial statements, which are a component unit of the System financial statements, have all been received. All those that have been reviewed have received a clean, unmodified opinions.
- Management was pleased with the preparedness on each campus and commended the accounting departments at the System Office, the universities, and Charter Oak for their work, especially their timeliness. Ben Barnes noted how pleased he was to have an Audit Committee meeting in mid-December with all audits complete and clean.
- Claire Esten and colleagues of Grant Thornton reported great results and were excited to present the audit reports and required communications for the Connecticut Community Colleges, Connecticut State Universities, and Charter Oak State College for the year ended June 30, 2022. All audit reports resulted in clean, unqualified opinions (Attachment A). The audit status, the significant risk slide and areas of audit focus were reviewed. They highlighted the testing performed for the adoption of GASB 87. It was noted that the financial statements will look different next year without out one-time federal funds.

Regent Porth asked by what process is in place to ensure that the one-time federal funds are managed and used properly. Ben Barnes responded that Melinda Cruanes and her staff have been deeply involved in tracking the expenditure of various “pots” of federal funds (i.e., HEERF, COVID relief funds, FEMA monies, pass-through funds from the state). All deadlines for state reporting have been met. Detailed, journal-level, transaction-level support is provided to all agencies, as appropriate. The lion share of the HEERF funds came into CSCU as revenue to offset revenue lost during the pandemic. The requirements on how the revenue was justified was straightforward. The process that universities used to calculate revenue replacement has been audited.

- No adjustments were noted for any audit; there were no internal control matters to communicate; industry updates were included in the slide deck.
- **CSCU 2020 Construction Audit Report**
 - Cohn Resnick submitted a clean audit and will be issuing an unmodified opinion. There were no issues noted, no control matters or disagreements with management. Everything went very smoothly. It was noted that next year will be difficult trying to budget for deferred maintenance and new construction with ever-increasing costs.

Regent Wright and Porth expressed their pleasure with the quality of the work and their appreciation for everyone’s hard work.

Adjournment

There being no further business, on motion of Regent Wright, seconded by Regent Porth, the meeting adjourned at 10:33 a.m.