

**Meeting of the
Audit Committee**
Connecticut State Colleges and Universities
Board of Regents for Higher Education
61 Woodland Street
Hartford, CT
Tuesday, May 22, 2018 @ 10:00

MINUTES

Regents Present

Elease Wright, Chair
Aviva Budd - telephonic
JoAnn Ryan

BOR Staff Present

Erika Steiner, Chief Financial Officer; Michael Moriarty, CFO Charter Oak College; Melissa Schwalbach, Assistant Counsel/Compliance Officer

Guests

Claire Esten, Matt McCormack, Justin Morrow, Brian Page – Grant Thornton

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

1. Approval of the Minutes of December 12, 2017

Motion by Chair Wright, seconded by Regent Budd, to approve the minutes of the December 12, 2017 meeting. The motion was carried.

2. CFO Updates

CFO Steiner commented that the audit is targeted to be completed with final drafts to the Audit Committee by the December 11 meeting. Updates will be provided for both the audit schedule and any APA reports at the October 16 meeting. The CSCU and constituent budgets are expected to be completed and presented to the Board for their review and approval at their June 21 meeting.

Regent Budd inquired about the timing of the reports received from the Auditors of Public Accounts (APA) containing retroactive information. There was a general discussion and consensus to have representatives from the APA office invited to an Audit Committee meeting.

Items impacting FY19 are not in the current year audit but will include some forward looking information in the MD&A. Provisions in the 2017 SEBAC agreement that was shared with the Finance Committee impacts our numbers moving forward in FY19. The agreement provides for a \$2,000 lump sum payment to all union members, prorated for part-timers, in FY19 and subsequent raises of 5.5% in both FY20 and FY21. Unfunded pensions are also an issue.

State appropriations were approved on May 10, 2018 post Finance Committee meeting. The appropriation provides a feature to the Community Colleges to compensate for impact of highly inflationary fringe benefit rates. The Comptroller's Office will pay the fringe benefits for CC General Fund employees. The appropriation also improves funding to the Universities and Charter Oak. Charter Oak will be able to break even in FY19 with additional funds and with restructuring of CTDLC. The impact of funding increases and wage and fringe increases is still under evaluation by institutions. We are currently collecting the FY19 budget information at System Office for consolidation and analysis.

The new Consolidated Chart of Accounts is scheduled to go live on July 1. A Financial Advisory Council (FINAC) has been established in the System.

3. Compliance Officer Updates

Melissa Schwalbach commented on the new auditing approach methodology established by the new lead auditor, Ramona Weingart, in the APA office. The areas of focus will include the monitoring compliance of the retirees hired back at the community colleges; payroll exception reports; and other challenges due to budget cuts on how the colleges are doing more with less and still being compliant. The auditors have indicated that they may focus on campus security/budget cut issues and cross-enrollment. These areas do not appear to be within their audit authority and more information will be sought from the auditors as to why these are germane to the audit process. In addition, the auditors will be performing less field work and doing more of their work remotely from 61 Woodland Street.

A report on the current college audits was provided for the Community Colleges. The goal is to be proactive with the audits at the colleges and fix things immediately. The APA reports have been in arrears for many years. It was noted that Capital's draft responses were submitted on January 20, 2018 for FY ended June 30, 2016. Findings included part-time lecturers not fully executed at the start of the contract period, deficiencies in dual employment approvals; and attendance controls for part-time lecturers. Northwestern's initial interview resulted in a request for information focus on internal control questionnaire, approvals, payroll exception reports, and dual employment. There are no findings to date.

The Faculty Consulting and Research report is due bi-annual to the BOR President on May 1st and November 1st. We are awaiting reports from Eastern and Central. Also pending from Housatonic, Gateway, Three Rivers and Tunxis.

4. Grant Thornton

a) 2018 Audit Planning Presentation and Discussion

The senior engagement team of Grant Thornton, led by Claire Esten, Lead Engagement Partner, reviewed the 2018 Audit Planning Presentation for the Connecticut State Colleges and Universities for the year ending June 30, 2018 for discussion. The team is working with management to meet the December 11, 2018 deadline. An update was provided on GASB 75 noting the changes in the accounting requirement that occurred three years ago. GASB 75 replaces the requirements related to OPEB accounting and reporting currently provided in GASB 45 and 57. Annual communication is conducted with the Audit Committee for open dialog. The audit team has not been made aware of any issues by management. Checks and balances are in place at multiple levels to cover controls. The tone is set by top administrators for internal controls within an organization.

The good news is that the colleges and universities are holding steady, with flat or modest revenue increases accompanied by warning signs and more experiments with “business model” are occurring. On the flip side, revenue is highly constrained with limited prospects of improvement. Price sensitivity (restraint on net price increases) continues. Demographics worrisome in East and Midwest. Washington policies may harm but won’t help.

b) “The State of Higher Education” in 2018 Highlights”

A report on The State of Higher Education in 2018 was provided for informational purposes.

Chair Wright commended CFO Steiner and others for their work on the Students First initiative.

With no other business to discuss, the meeting adjourned at 11:24 a.m. on a motion by Chairman Wright, seconded by Regent Ryan.