

Connecticut State Colleges and Universities
Board of Regents for Higher Education
61 Woodland Street
Hartford, CT
Friday, December 9, 2016

AUDIT COMMITTEE MEETING

MINUTES

REGENTS PRESENT

Elease E. Wright, Chairwoman
William McGurk
JoAnn Price

REGENTS ABSENT

Gordon Plouffe

BOR/CSCU STAFF PRESENT

Erika Steiner, Chief Financial Officer; Karen Stone, Director of Internal Audit; Christopher Forster, Controller

Susan Grant, Fr. Finance Officer; Joanne Grondin, Associate for Finance and Accounting; Lakkitta Phouthakoun, Associate for Finance and Accounting; Nancy Covey, Associate in Accounting and Reporting; Elizabeth Hays, Assistant in Finance and Accounting

GUESTS

Frederick J. Hughes, Jr., Blum Shapiro; Virendra N. Shah, Blum Shapiro; Claire Esten; Brittany Kelley, Lead Audit Manager: and, Jeff Su, Senior Manager on CCC Audit, Justin Morrow

With a quorum present, Chairwoman Wright called the meeting to order at 1:06 p.m.

1. A motion was made by Chairwoman Wright to accept the Minutes of June 14, 2016 and September 13, 2016 meeting. Committee member JoAnn Price seconded the motion which was carried unanimously.
2. Staff Report to Delegate Approval Authority by the Board to the Audit Committee; this will be taken to the Board for approval.
3. Year End Reports and Discussion:
Report by Management – CFO Steiner explained that required changes were less complex with the single year financial statement issued, and a different procedure will be followed for the comparative financial statements next year.

Audit Report by Grant Thornton: CFO Steiner remarked that Grant Thornton has been great to work with. Discussion followed on the pension accounting. They believe there were redundant entries booked. Prior period adjustments will be required. Brittany Kelley and Claire Esten provided a brief background on GASB 68. Steiner highlighted charts and materials included in annual reports.

The question was asked by Chairwoman Wright if the colleges and the universities compete with each other; CFO Steiner replied Yes in certain cases they may compete.

The question was asked how COSC ranked in on-line colleges. CFO Steiner will find out and report back to the Committee.

Report by Blum Shapiro: Frederick Hughes Jr., CPA, CFE- Engagement Partner, presented and reported on the final audit draft report.

Mr. Hughes introduced Virendra Shah who spoke about the 2016 Audit Results. The firm maintains the opinion of the last 3 years. There were no changes from the planned audit approach. The report on their plan approach; and stayed on timeline. It is important there is strong participation with management which was evident with this agency. Mr. Shah stated the objective of the audit was to conduct an audit of FY16 expenditures the CSCU System 2020 construction expenditures – cash basis, paid to the present time, to provide management with an assessment, consider internal controls, and evaluate appropriateness of accounting policies used.

Mr. McGurk asked if there was anything the CSCU System could have done differently? Shah replied No.

It was voted at the BOR meeting that the Audit Committee has authority to approve it. CFO Steiner confirmed the Committee has the authority to accept the financials. However, it was determined by management and by the Committee that acceptance of the final audited financial statements should be deferred for a few weeks in order to finalize the GASB 68 entries.

Claire Esten discussed Audit Open items as of 12/5/16 providing required qualification of today.

Grant Thornton asked for feedback on what they could do to improve the audit.

Chairwoman Wright expressed that she is very pleased with GT. Committee members McGurk, and Price, and Christopher Forster agreed.

4. Management Report of Audited FY16 Foundation Financial Statements:

Chris Forster reported that he had a record of the Foundations' financial reports, and elaborated on the report.

- CCCs Foundation: \$49.2 mil. one half of that is Norwalk;
- Support category: \$6 mil. 2016 changed in asset; \$3 mil loss on investment
- Universities: \$239.6mil – one half is CSCU foundation
- COSC Foundation: \$1.8 mil. (they provide \$60,000 to support)
- Eastern Foundation: \$2.3 million restricted assets will be resolved with unrestricted to offset balance.

It was mentioned that the BOR Audit Committee does not have the authority over Foundations. The Committee's responsibility is to receive reports, and enforce audits are completed.

Chris Fosrter noted that temporary restrictions will be moved to unrestricted such as FLA. The Board is statutorily responsible to accept them. The reputation risk was discussed by the BOR Audit Committee members. They need to confirm that they received it. Committee member Price requested a summary. Chairwoman Wright would like to talk with Ernestine Weaver about it. CFO Steiner said she will provide BOR Audit Committee with a spreadsheet, and make it a standard part of the report. Receiving it means they accept it.

5. Enterprise Risk Management: (handout)

Functional experts and team met and talked about concerns and risks as perceived by the System Office. The templates will be taken to all CSCU institutions for implementation of ERM.

Joe Tolisano shared information about ERP controls and risks.

6. Internal Audit Reports – Karen Stone commented on the things of risk items. She reported that she is pleased with the progress. As of November 30th, results are better, closed 36 percent of items. She attributed the success due to the close working relationship and continuous guidance given to the 17 schools on their procedures.

As no Executive Session was required, Chairwoman Wright made a motion to adjourn the meeting. Committee member Price seconded the motion.

The meeting was adjourned at 3:50 pm.