

# **CSCU** Board of Regents

## **AGENDA**

### **Audit Committee**

**Tuesday, May 9, 2023 @ 10:00 a.m.**

**Conducted Via Remote Participation**

**Meeting will stream live at:**

**<https://youtube.com/live/qKIMo2DqBcM?feature=share>**

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1. Call to Order and Declaration of Quorum
2. Approval of Previous Audit Meeting Minutes – December 14, 2022
3. Discussion Items
  - APA Audit Update
  - Management Update
  - 2020 Bond Audit Planning Presentation - CohnReznick
  - CSU, CCC, COSC Financial Statement Audit Planning Presentation– Grant Thornton
4. Executive Session - to discuss security matters

#### **Audit Committee members**

Elease Wright, Chair

Rick Porth

Ari Santiago



PRESENTATION TO THOSE CHARGED WITH GOVERNANCE

# 2023 Annual Audit Planning Presentation

Connecticut State Colleges and Universities

**May 9, 2023**

This communication is intended solely for the information and use of management and those charged with governance of CSCU and is not intended to be and should not be used by anyone other than these specified parties.



# Audit timeline & scope

<b>April 2023</b>	Client continuance	<ul style="list-style-type: none"> <li>• Client continuance</li> <li>• Conduct internal client service planning meeting, including coordination with audit support teams (actuaries)</li> </ul>
<b>May/June 2023</b>	Planning	<ul style="list-style-type: none"> <li>• Meet with management to confirm expectations and discuss business risks</li> <li>• Issue engagement letter</li> <li>• Discuss scope of work and timetable as well as identify current year audit issues</li> <li>• Initial Audit Committee communications</li> </ul>
<b>May/June 2023</b>	Preliminary risk assessment procedures	<ul style="list-style-type: none"> <li>• Develop an audit plan that addresses risk areas/identify significant risks &amp; focus areas</li> <li>• Update understanding of internal control environment</li> </ul>
<b>May/June 2023</b>	Interim fieldwork	<ul style="list-style-type: none"> <li>• Perform walkthroughs of controls</li> <li>• Perform selective substantive testing on interim balances</li> </ul>
<b>September – December 2023</b>	Final fieldwork	<ul style="list-style-type: none"> <li>• Perform year-end fieldwork procedures</li> <li>• Meet with management to discuss results, including review of draft financial statements, misstatements (if any) and completeness/accuracy of disclosures</li> <li>• Present results to the Audit Committee</li> </ul>
<b>Report Issuance Date</b>	Deliverables	<ul style="list-style-type: none"> <li>• Financial Statements</li> <li>• Listing of unrecorded/recorded misstatements and omitted disclosures (if any)</li> </ul>

# Significant risks and other areas of focus

The following provides an overview of significant risks and areas of focus based on our risk assessments.

Significant risk	Planned procedures
Management override of controls (presumed fraud risk and therefore significant risk in all audits)	<ul style="list-style-type: none"><li>• Consider the design and implementation of entity-level controls, including information technology controls, designed to prevent/detect fraud.</li><li>• Assess the ability of the University to segregate duties in its financial reporting, information technology, and at the activity-level.</li><li>• Conduct interviews of individuals involved in the financial reporting process to understand (1) whether they were requested to make unusual entries during the period and (2) whether they are aware of the possibility of accounting misstatements resulting from adjusting or other entries made during the period.</li><li>• Perform risk assessment for journal entries and detail test a sample of journal entries based on our risk assessments to ensure propriety of the entries.</li></ul>

# Significant risks and other areas of focus (continued)

Area of focus	Planned Procedures
Tuition revenue, auxiliary enterprises and related receivables/deferred revenue	<ul style="list-style-type: none"><li>• Perform reasonableness test on tuition and fees, student aid and auxiliary revenue amounts</li><li>• Perform detailed testing of a sample of transactions, agreeing to source documentation</li></ul>
Grant revenue and accounts Receivable	<ul style="list-style-type: none"><li>• Perform detailed transaction testing over grant revenue</li></ul>
Net Pension and OPEB Liabilities (and related deferred inflows/outflows and pension/OPEB expense)	<ul style="list-style-type: none"><li>• Review management's methodology and journal entries to record pension/OPEB liability and related accounting</li><li>• Review the reports issued by the Auditors of Public Accounts</li><li>• Perform testing over the census data used by the actuary</li></ul>

# Significant risks and other areas of focus (continued)

## Area of focus

## Planned Procedures

State appropriations

- Reconcile amounts to the GL, including confirmation of certain amounts with the state

Capital Assets

- Test a rollforward of capital asset balances
- Test additions on a sample basis (if material)

Cash and cash equivalents

- Confirm all material cash balances, and reconcile confirmed balances to the GL

Adoption of GASB 96 –  
Subscription-Based  
Information Technology  
Arrangements

- Perform detail testing to ensure completeness of the population considered for implementation
- Select a sample of items included in the population to capitalize and test the accuracy of the related entries
- Review management's methodology and journal entries to record the adoption entries.

Adoption of GASB 101 –  
Compensated Absences

- Review management's methodology and journal entries to record the adoption entries.
- Select a sample of items included in the population to perform detail testing.

# Use of the work of other auditors

Component	Response
Foundations	Each of the Foundations has a separate auditor. In our auditor's report on each entity's financial statements, we make reference to the audits performed by the other unaffiliated auditors.
Net Pension and OPEB Liabilities and related accounts	The State engages the State Auditor of Connecticut to perform the audit of the valuation prepared by independent actuaries as part of recording the Net Pension and OPEB Liabilities and related deferred inflows/outflows and pension/OPEB expense. Grant Thornton assesses the qualifications of the APA and takes responsibility for their work.

# Independence

## Non-audit services

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CSCU has engaged GT Advisory to assist with extraction of data from agreements to a database to be used as a basis for the entries to be recorded in connection with the adoption of the subscription-based information technology arrangements standard (GASB 96.)

## Risk

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GT cannot audit its own work.

## Safeguards

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Management has project oversight, takes responsibility and will validate a sample of the extractions performed by GT.



# Commitment to promote ethical and professional excellence

We are committed to promoting ethical and professional excellence. To advance this commitment, we have put in place a phone and internet-based hotline system.

The Ethics Hotline (1.866.739.4134) provides individuals a means to call and report ethical concerns.

The EthicsPoint URL link can be accessed from our external website or through this link:

[https://secure.ethicspoint.com/domain/en/report\\_custom.asp?clientid=15191](https://secure.ethicspoint.com/domain/en/report_custom.asp?clientid=15191)

Disclaimer: EthicsPoint is not intended to act as a substitute for a company's "whistleblower" obligations.



This slide is REQUIRED to be communicated to TCWG at least annually. Talking points are included in the Notes section.



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## Technical updates - GASB

# Selected pronouncements effective for the year ending June 30, 2023, or subsequent periods - GASB

Title	Effective date
GASB 91 – Conduit Debt Obligations	Periods beginning after December 15, 2021**
GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements	Periods beginning after June 15, 2022
GASB 96 – Subscription-Based Information Technology Arrangements	Periods beginning after June 15, 2022
GASB 98 – The Annual Comprehensive Financial Report	Periods ending after December 15, 2021
GASB 99 – Omnibus 2022	Varies by topic
GASB 100 – Accounting Changes and Error Corrections	Periods beginning after June 15, 2023
GASB 101 – Compensated Absences	Periods beginning after December 15, 2023

\*\* Reflective of effective date deferral under GASB 95.

# GASB Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

## Summary

- Defines a PPP as an arrangement in which a government (the transferor)
  - contracts with an operator (a governmental or nongovernmental entity) to provide public services
  - by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time
  - in an exchange or exchange-like transaction.
- Transferor records the underlying PPP asset and/or a receivable for installment payments to be received from operator, with a related deferred inflow of resources.
- Defines an APA as an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period in an exchange or exchange-like transaction.
  - In an APA with multiple components, each component shall be recognized as a separate arrangement.
- Effective for fiscal years beginning after June 15, 2022, with early adoption encouraged.

## Potential Impact

- Universities often engage in these type of arrangements to expand student housing, parking, retail space, or some combination of these types of revenue-generating spaces. This new guidance clarifies the accounting for these types of arrangements, as compared to service concession arrangements, lease agreements or other types of transfers. Management should identify which agreements are currently in place for which accounting may need to be restated. Management should also consider these updated definitions for any new transactions that may be in process, to ensure those arrangements are structured and reported in accordance with these new provisions.

# GASB Statement 96, *Subscription-Based Information Technology Arrangements*

## Summary

- Defines subscription-based information technology arrangements (SBITA) as a contract that conveys control of the right to use another party's IT software,
  - alone or with underlying tangible IT assets,
  - For a period of time (noncancelable period, plus options to extend),
  - In an exchange or exchange-like transaction.
- Government should recognize a right-to-use subscription asset and a corresponding subscription liability
  - Measured as the present value of expected subscription payments
  - Discounted using the rate the SBITA vendor charges, or the incremental borrowing rate
- Subscription asset to be amortized over the subscription term
- Activities associated with a SBITA, other than subscription payments, should be grouped into the following three stages and costs accounted for accordingly:
  - Preliminary project stage – expensed as incurred
  - Initial implementation stage – capitalized as an addition to the subscription asset
  - Operation and additional implementation stage – expensed as incurred, unless they meet specific capitalization criteria
- Effective for fiscal years beginning after June 15, 2022, with early adoption encouraged.

## Potential Impact

- For those universities using subscription-based IT arrangements, this standard could have a significant impact on the financial statements of the university upon adoption. As with the new lease standard, management should consider the impact on financial covenants, as well as ensuring a complete inventory of existing agreements that will be subject to the new accounting and disclosures.

# GASB Statement 101, Compensated Absences

## Summary

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- This Statement updates the recognition and measurement guidance for compensated absences to better meet the needs of financial statement users.
- Requires recognition of a liability for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means
- Liability should be recognized for leave attributable to services already rendered, if the leave accumulates, and the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means
- Amends existing requirements to disclose the gross increases and decreases in a liability for compensated absences to allow disclosure of only the net change in the liability
- Effective for fiscal years beginning after December 15, 2023, with early application encouraged.

## Potential Impact

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- This guidance will have a significant impact on the recognition of compensated absences. Universities should start early on to inventory all compensated absence programs, including the following examples:
    - vacation and sick leave
    - PTO
    - holidays
    - parental leave and
    - sabbatical leave
- These programs should be evaluated against the updated recognition criteria, exceptions to general recognition, and measurement provisions.

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## Industry updates



# Rating agencies higher education sector outlook- an overview

S&P Global  
Ratings

MOODY'S

FitchRatings

1

Outlooks are varied, driven by three key determinants:

- End to pandemic-related relief funding
- Capital markets volatility
- Uptick in operating expenses

2

Efforts to contain expenses- higher education was second only to hospitality in reducing expenses in the early period of the pandemic

3

Growth of alternative programming- online and hybrid courses as well as certification programs (can be credit positive but it depends on whether there is revenue sharing, avoids cannibalization of existing programs, etc.)

4

Consolidation-

- Not anticipated to accelerate at a rapid pace (but more likely to occur with publics vs privates)
- Programmatic consolidation/elimination is occurring more frequently

5

Communication- Rating agencies are focused on forward-looking strategic plans and communication of headwinds early



# S&P's 2023\* outlook for the Higher Education sector has changed to “mixed” from “stable” in the prior year

## “Stable but Bifurcated”

### Positive Developments

- Substantial federal emergency funding to higher education since 2020 (>\$152 billion awarded)
- Return to campus learning in-person has led to increase in tuition and auxiliary revenues
- Highly selective institutions have reached an all time high in applications and low in acceptance rates

### Risks to Monitor

- 2023 operating margins are expected to be weaker than 2022 due to higher cost of salaries
- Enrollment pressures from troubling demographic outlook will increase financial aid to students and lead to net tuition revenue declines
- S&P's chief U.S. economist forecasts a shallow recession in 2023
- Growing gaps in credit quality is noted between higher rated and lower rated institutions

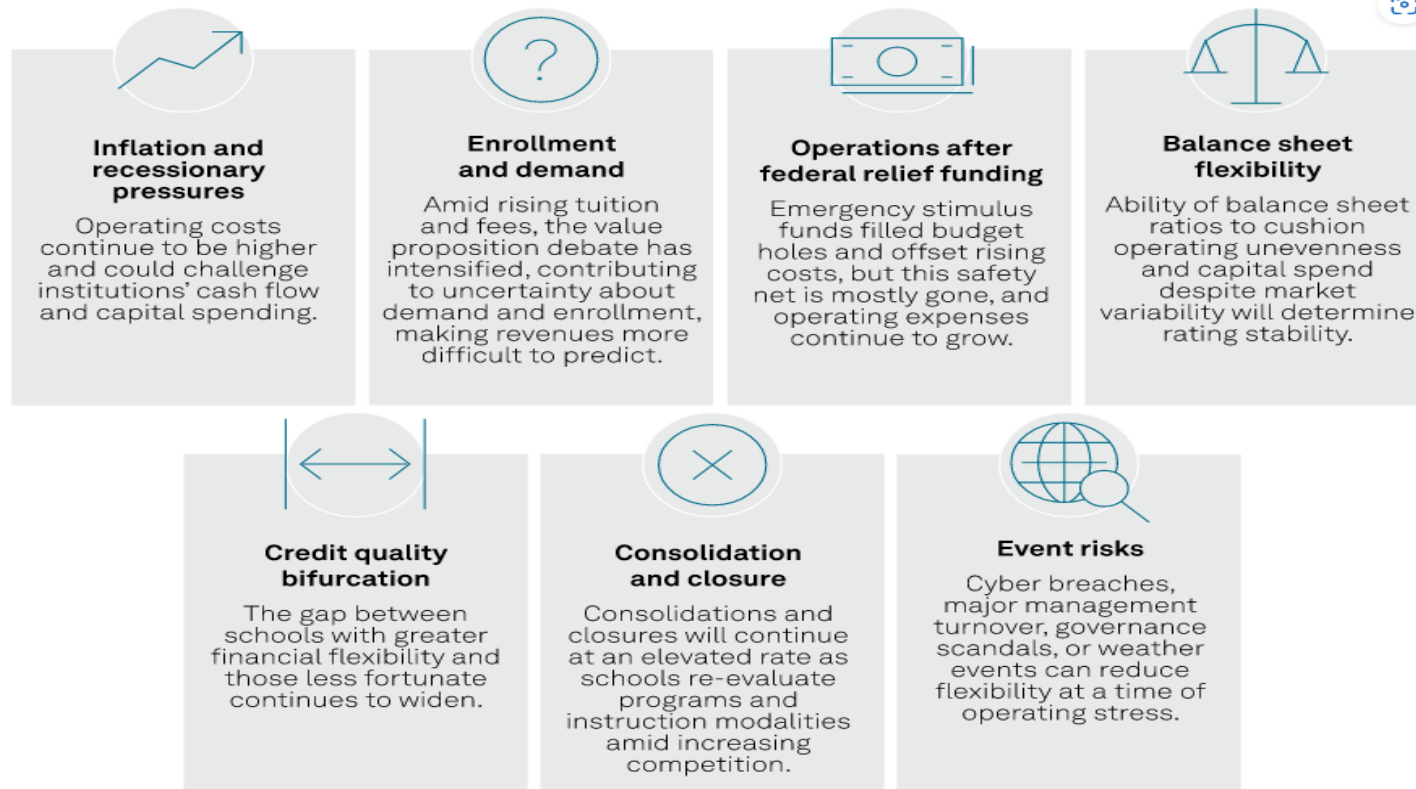
**Bottom line** → Higher education sector is facing significant risks regarding future enrollment levels, rising costs and a potential recession in 2023 with lower rated institutions at risk to close or merge contrasted with highly selective institutions in a strong financial position.

# S&P 2023 Outlook Factors, continued

## What We're Watching -- Not-For-Profit Higher Education



With the large number of potential risks to monitor, 2023 is a good time to evaluate enterprise risk management plans.



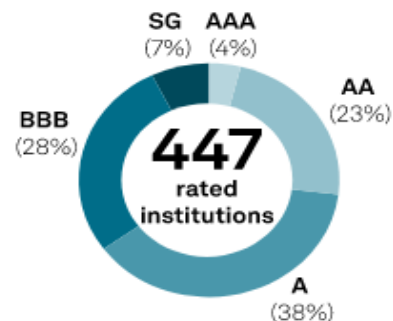
# S&P 2023 Outlook Factors, continued

S&P Global  
Ratings

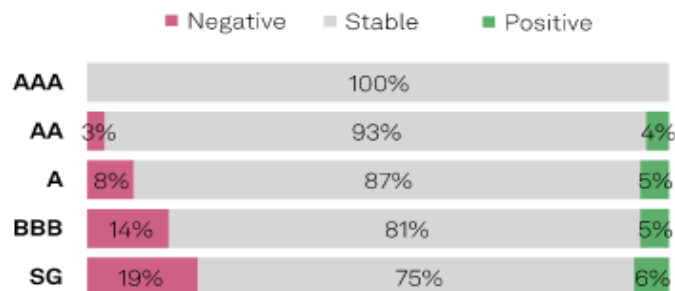
## U.S. Not-For-Profit Higher Education: By The Numbers

### Rated not-for-profit higher education characteristics

Rating category distribution



Outlook distribution



Median tuition increase in FY21

**+2.8%** for rated **privates**  
**+1.7%** for rated **publics**

**6.5%** annual  
inflation rate for U.S.\*

**11** new public  
ratings in 2022



Average investment gain

**+27.0%** in fiscal 2021, versus  
**-10.6%** in fiscal 2022

Rating and outlook actions

Downgrades  
to upgrades

**1.4 : 1**

Favorable to unfavorable  
outlook revisions

**6.4 : 1**

\*For 12 months ended December 2022. Ratings data as of Dec. 31, 2022. Inflation data: U.S. Labor Department. SG--Speculative grade. Source: Investment return data per Wilshire Trust.  
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# Moody's 2023\* outlook for the Higher Education sector has changed to “negative” from “stable”

**“Negative as revenue rebound stalls and expenses surge”**

## Positive Developments

- Cash and investments for many institutions provide a financial cushion to weather future risks
- The COVID-19 pandemic impact on higher education was not as harmful as it could have been primarily due to federal relief aid
- Institutions with strongest financial position continue to get stronger

“If revenue growth is at least equal to inflation; better macroeconomic conditions, including lower inflation; improved investment returns; and sound student demand and steady enrollment could return the outlook to stable.”

## Risks to Monitor

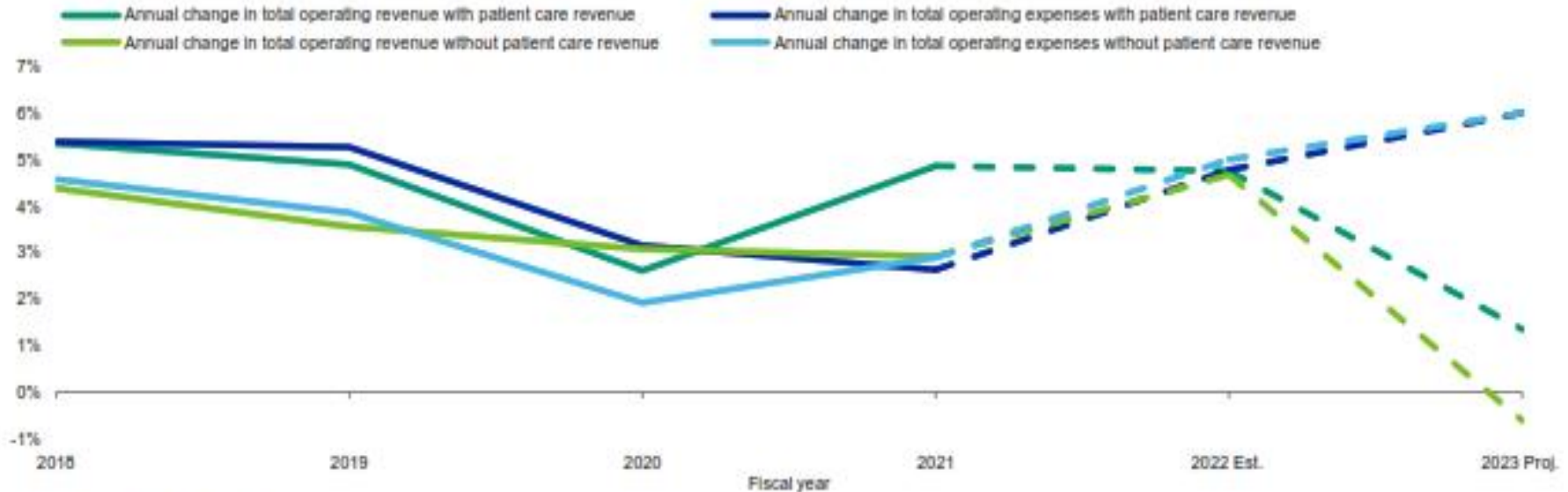
- Inflation and labor shortages will lead to higher costs and lower margins
- Social and cyber risks pose key risks
- Operating budgets for most institutions remained strained

# Moody's 2023 Outlook Factors, continued

MOODY'S

Exhibit 1

Constrained revenue growth well below increasing expenses demonstrates challenges facing higher education



Fiscal years typically end at June 30.

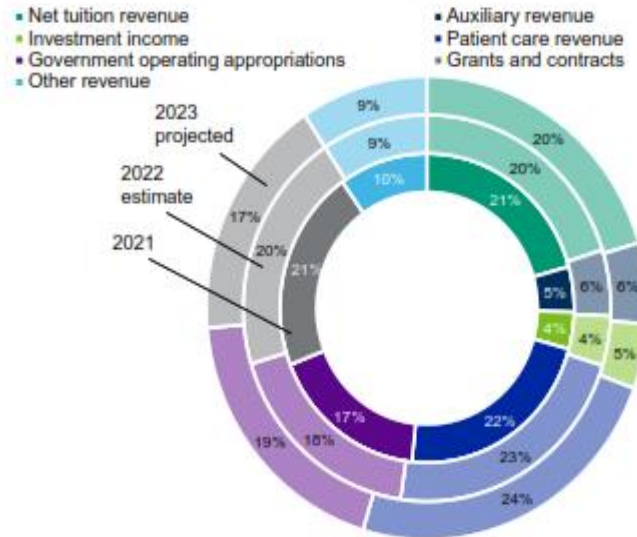
Source: Moody's Investors Service

# Moody's 2023 Outlook Factors, continued

Exhibit 2

**Public universities will endure more revenue strain than privates as federal pandemic aid winds down**

% of total revenue by category by fiscal year



Federal pandemic aid is included in "Grants and contracts." Fiscal years typically end June 30.

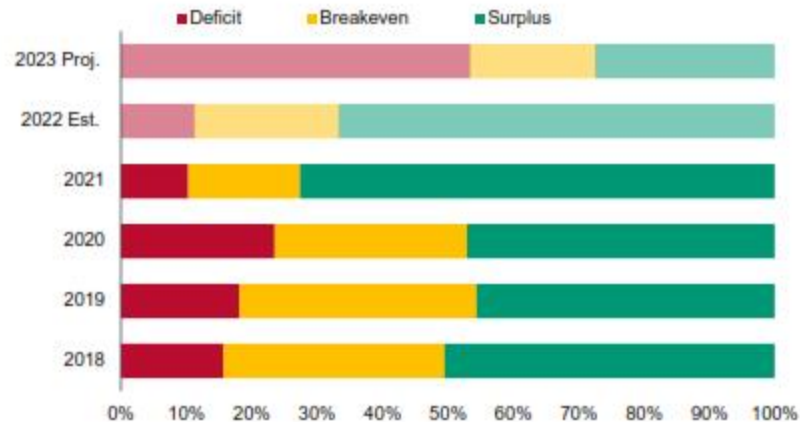
Source: Moody's Investors Service

# Moody's 2023 Outlook Factors, continued

Exhibit 5

**Without strong cost control, a majority of public universities will post deficits in fiscal 2023**

% of public universities' operating margins, fiscal years 2018-2023



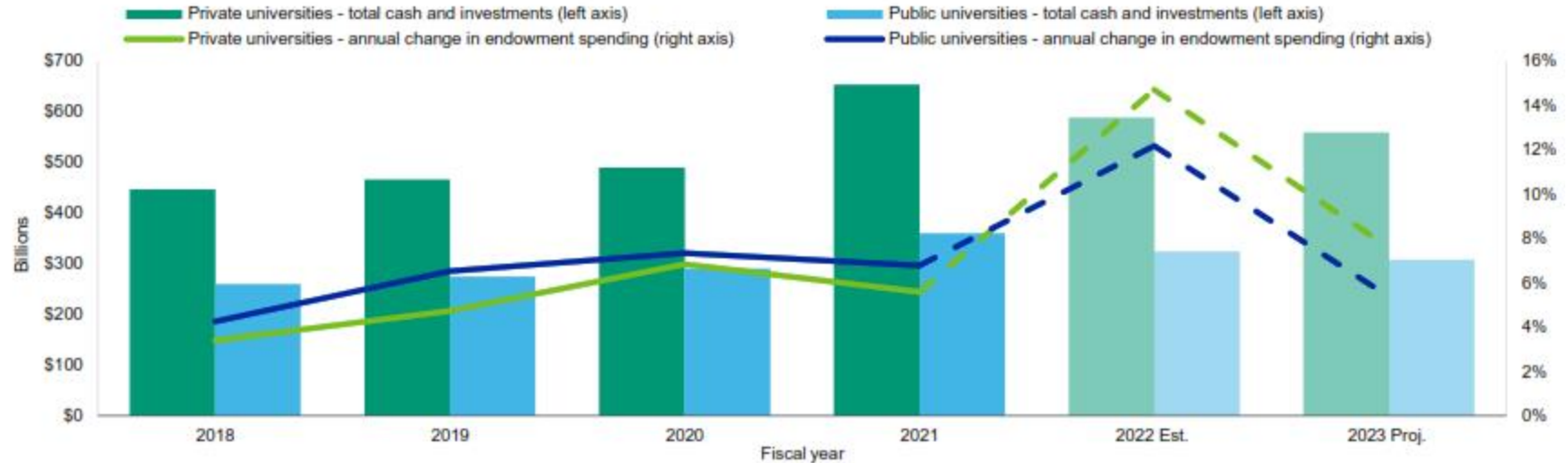
Deficit refers to an operating margin of less than 2%. Breakeven refers to an operating margin between negative 2% and 2%. Surplus refers to an operating margin greater than 2%. Fiscal years typically end on June 30.

Source: Moody's Investors Service

# Moody's 2023 Outlook Factors, continued

Exhibit 7

Financial reserve growth will continue to provide a cushion even as endowment spending slows



Fiscal years typically end June 30.

Source: Moody's Investors Service

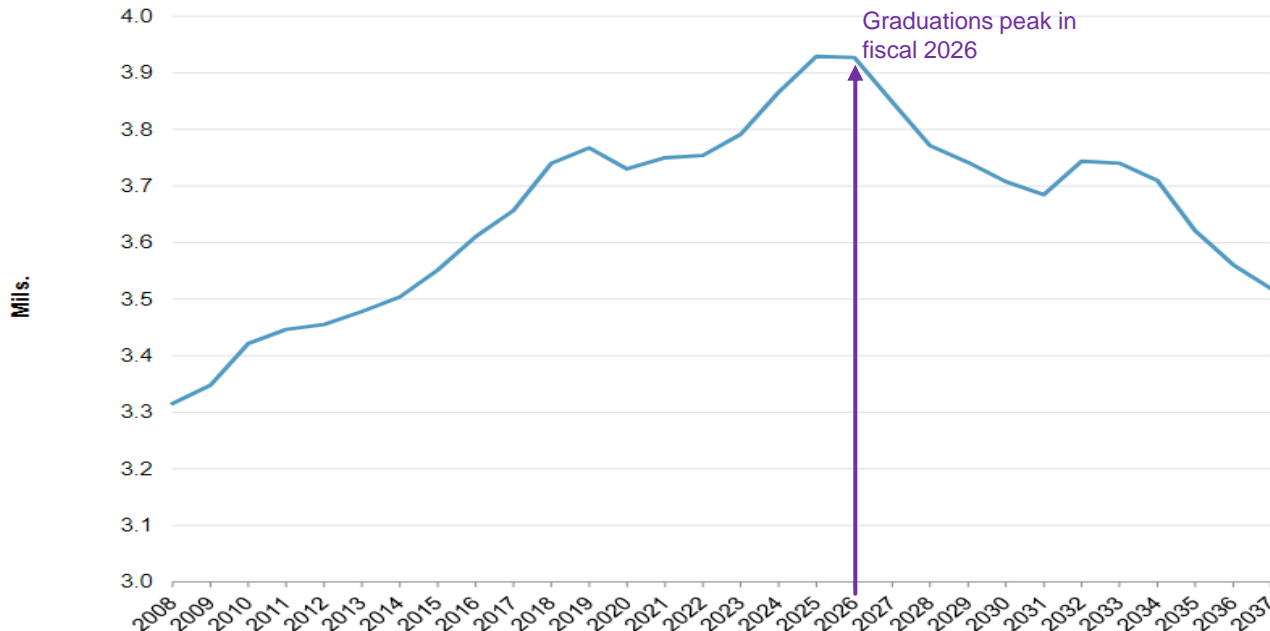


# The demographic cliff – national projections

**Growth, Then Decline, In The Number Of U.S. High School Graduates**  
Graduates per year

This is the national outlook, with the West and South regions of the U.S. showing more growth and the Midwest and Northeast already leveling off and seeing some declines.

Decisions made by institutions between now and the peak U.S. high school graduations in 2026 will be paramount to future financial operations.

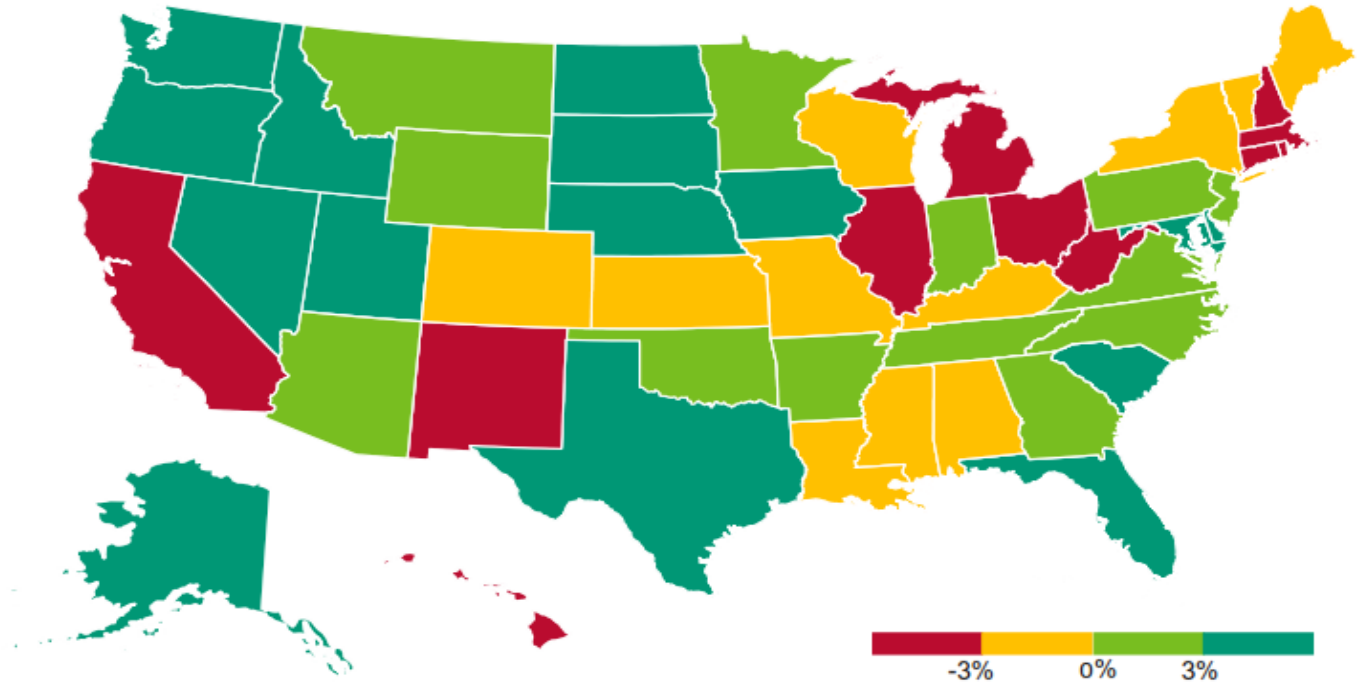


Source: Western Interstate Commission for Higher Education, "Knocking on the College Door," 2020.  
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# The demographic cliff – state by state projections

Exhibit 4

Declining high school graduates in some states will intensify college and university competition for students  
% change in high school graduates for academic year 2020-21 versus 2027-28



Source: Western Interstate Commission for Higher Education

# What Chief Information/Technology Officers are saying about...

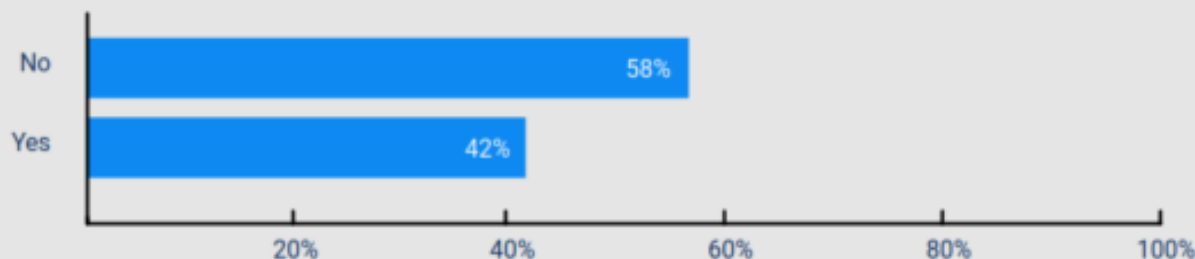
## Budgets and resources

This most recent survey was published in **November 2022**



About half of CIOs indicate that the total budget for central IT operations and services at their institution for the 2021-22 fiscal year was less than \$5 million. Nearly a quarter of respondents (22 percent) indicate that theirs was between \$5 million and \$10 million. Nearly half of CIOs expect the 2022-23 central IT budget at their institution to be about the same as the 2021-22 budget. **More technology leaders (31 percent) expect their budgets in 2022-23 to be higher than expect it to decline (22 percent).**

Did the central IT budget have any cutbacks during the course of the 2021-22 year? (n=171)



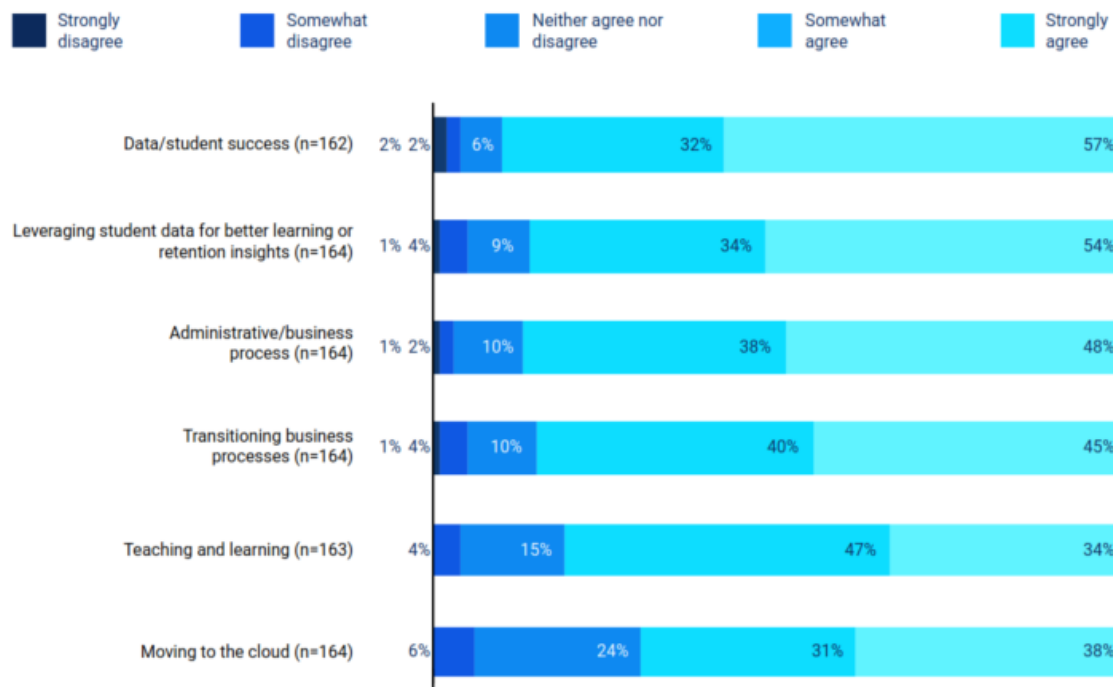
# What Chief Information/Technology Officers are saying about...

## Importance of digital transformation

Fewer than half of CIOs indicate that digital transformation is a “high priority” or “essential” for leaders at their institution.

However, majorities strongly agree that their institution is prioritizing data for student success (57 percent) and leveraging student data for better learning or retention insights (54 percent) and leveraging student data for better learning or retention insights (54 percent).

How much of a priority are the following focal areas in terms of digital transformation efforts?



Source: 2022 Survey of  
Chief  
Technology/Information  
Officers, Inside Higher Ed  
and Hanover Research

# What Chief Information/Technology Officers are saying about...

## Experimentation in new technologies

Few CIOs report that their institution has made meaningful investments in cutting-edge technologies.

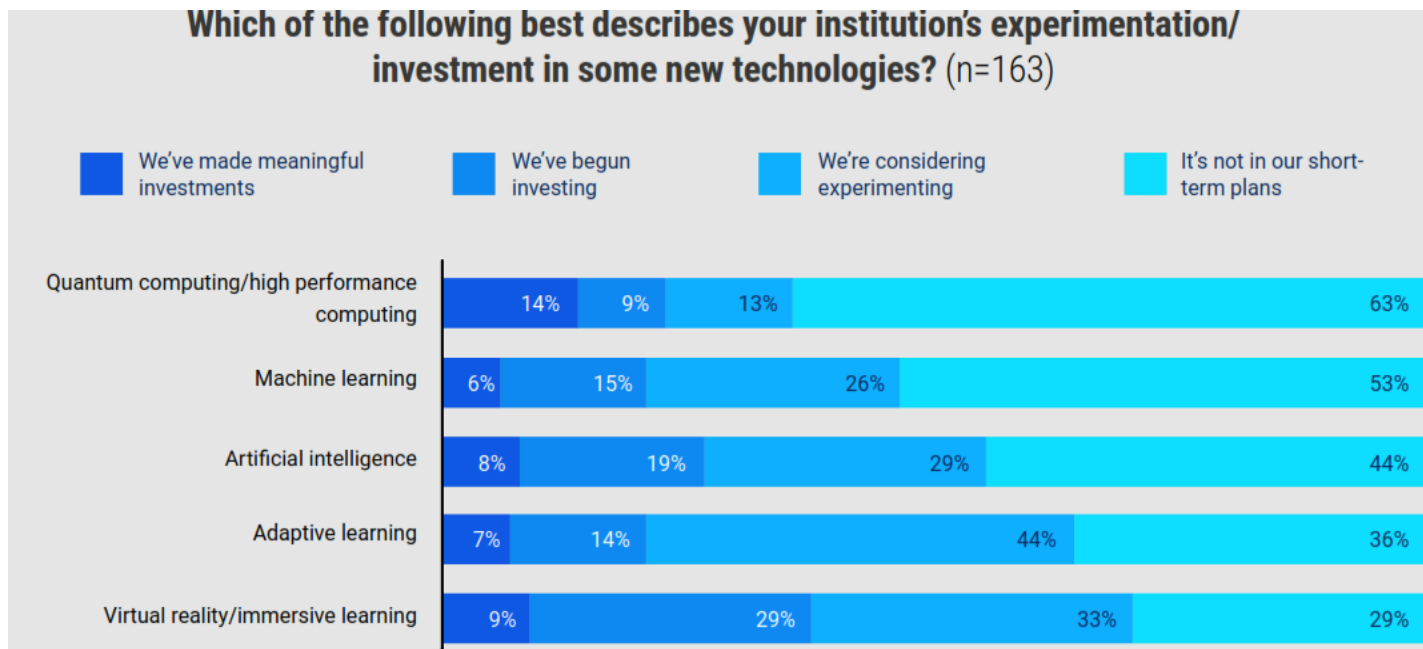
Nearly four in 10 (38 percent) say they have at least begun investing in virtual reality or immersive learning, while 44 percent report that they are considering investing in adaptive learning technologies.

INSIDE  
HIGHER ED

2022 Survey of

Campus Chief Technology/  
Information Officers

A SURVEY BY INSIDE HIGHER ED AND HANOVER RESEARCH



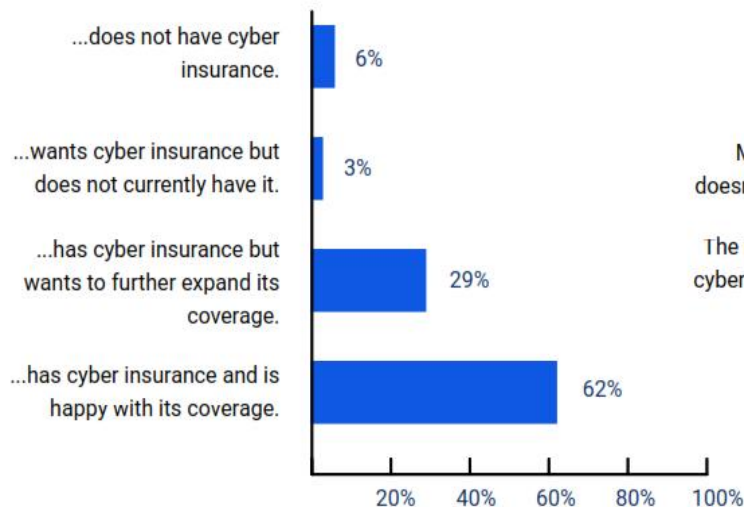
# What Chief Information/Technology Officers are saying about...

## Cybersecurity and Cyberinsurance

Less than a quarter of CIOs are “very” or “extremely confident” that their institution’s cybersecurity practices can prevent ransomware attacks. The vast majority of chief technology officers report that their institution has cyber insurance. A majority say that their institution is happy with its coverage.

### Which of the following best describes your institution’s approach to cyber insurance?

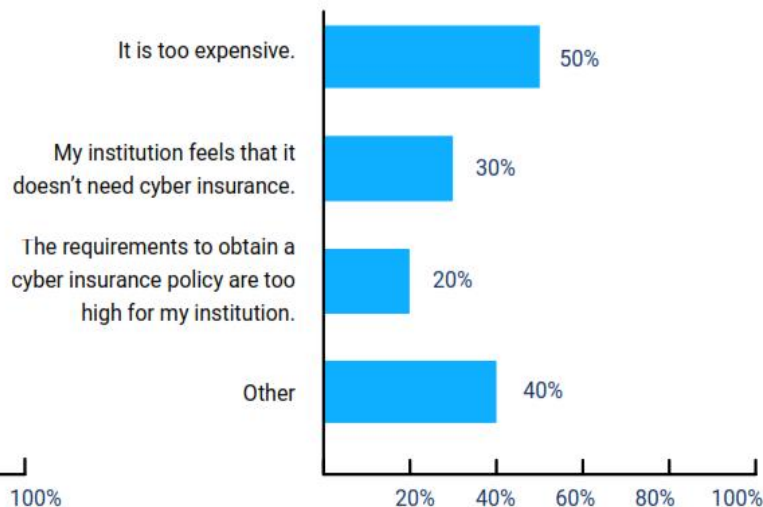
My institution... (n=163)



### Why does your institution not have cyber insurance?\*

Please select all that apply.

(n=10)



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## Thought Leadership



# Governance IQ

## ***Addressing today's not-for-profit and higher education governance challenges to effectively advance your mission***

### **Overview:**

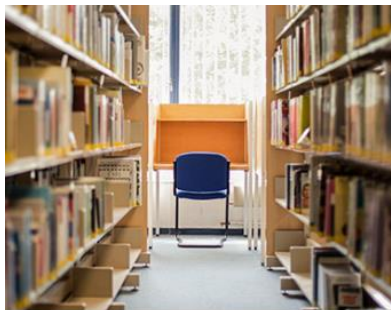
- Monthly article series culminating in a webcast and guidebook
- Landing page/hub for the series provides the opportunity to sign-up for monthly emails and download governance materials and thought leadership from Grant Thornton

### **Sample of topics to be included:**

- Board term limits
- Board member primer: duty of care, obedience, loyalty
- Intersection of audit committee and finance committee responsibilities
- D&O insurance: considerations and coverage
- Board training and on-boarding
- Conflicts of interest: annual disclosure and evaluation process
- The audit committee's role in overseeing ERM
- Best practices for effective board and audit committee governance



# Additional resources



ARTICLE

## How higher education can weather endowment declines

What if sinking markets drag down your endowments?



ARTICLE

## Making ESG a reality takes focus, data and disclosure

To incorporate ESG efforts into operating models, nonprofits ar...



ARTICLE

## Ensure the vitality of your higher education campus

To most effectively ensure your higher education institution's ...



ARTICLE

## Financial reports as a guiding light for your mission

Key financial metrics can show the path to your mission.

<https://grantthornton.com/nfp>

# 2023 Webcast series

Each year, leaders from Grant Thornton LLP's Not-for-Profit and Higher Education Practices provide learning opportunities through our webcast series. These sessions cover a wide variety of trending topics and regulatory updates relevant to not-for-profit and higher education management and trustees. We welcome you to visit [grantthornton.com/nfp](https://www.grantthornton.com/nfp) for more information on upcoming webcasts and to access past webcasts, which are archived for one year.



MAY 3

**Today's Not-for-Profit & Higher Education Landscape: Redesigning Your Strategy for Growth**



MAY 24

**Today's Not-for-Profit & Higher Education Landscape: Aligning Your Operations with Strategy and Mission**



AUG 30

**Not-for-Profit Accounting and Uniform Guidance Compliance Update**



OCT

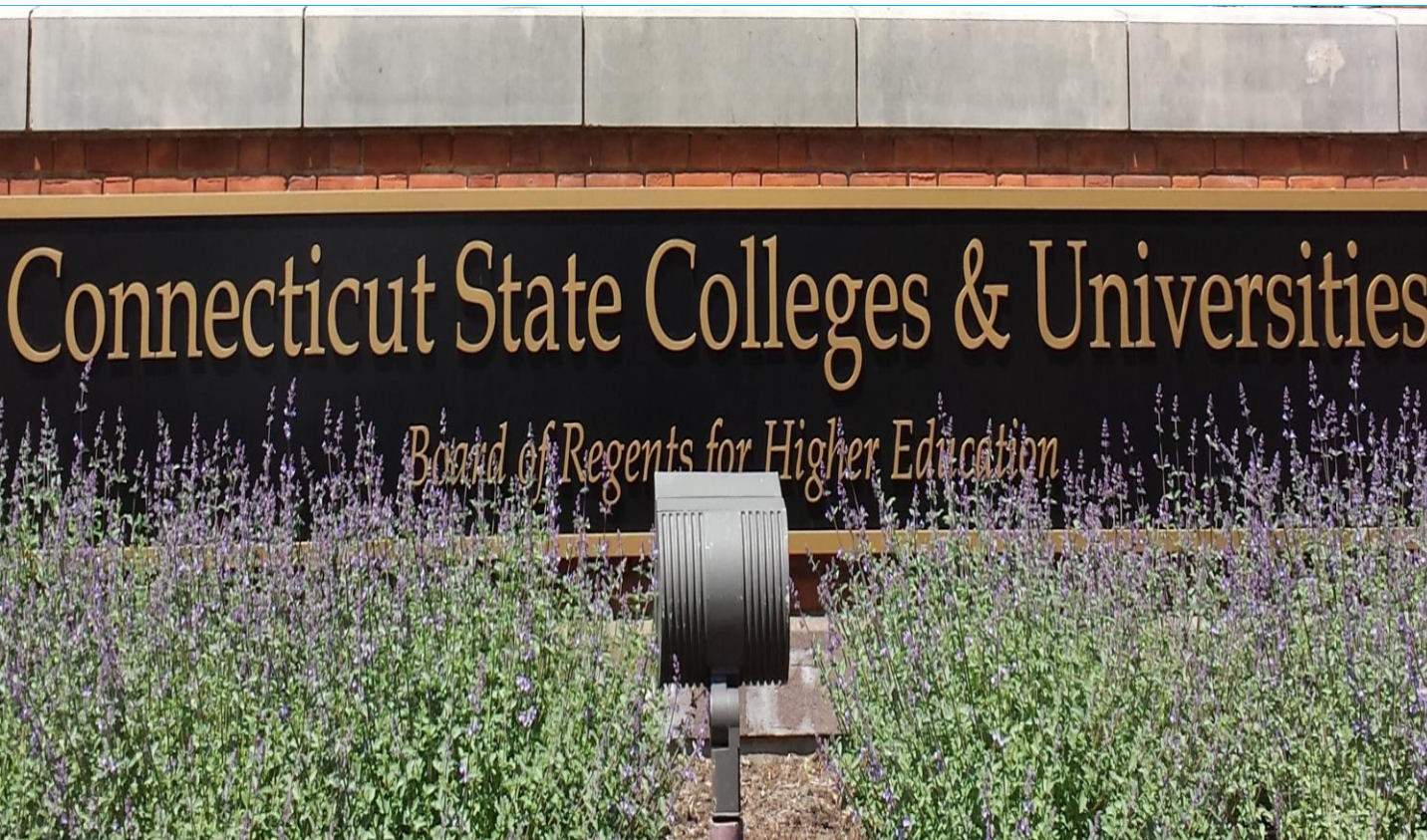
**Best Practices for Effective Board & Audit Committee Governance**

All webcasts are from 1:00-2:30 p.m. CT.

Re-broadcasts available and Registrations at: <https://www.grantthornton.com/events-and-webcasts/nfp>



Grant Thornton



# Connecticut State Colleges and Universities System

2023 Audit Plan  
Presented to:  
CT Board of Regents for Higher Education

*May 9, 2023*



CohnReznick is an independent  
member of Nexia International

May 9, 2023

Dear Members:

Thank you for the opportunity to provide professional services to the Connecticut State Colleges and Universities System (“CSCU System”) again this year, an organization we are extremely proud to serve. We are pleased to meet with you today to discuss our plan to perform the audit of the expenditures paid during the year ended June 30, 2023 as reported in the schedule of CSCU 2020 Construction Expenditures - Cash basis (the schedule). This meeting will serve as a forum to validate our understanding of key issues, confirm your expectations, and make certain that our efforts are aligned with your expectations. We welcome your suggestions regarding areas of special concern and ideas to aid us in presenting the most appropriate and valuable reports to you.

Our audit is designed to express an opinion on CSCU System’s 2023 Schedule. We will consider the CSCU System’s current and emerging business needs, along with an assessment of risks that could materially affect the Schedule and design our audit procedures accordingly. Our audit will be conducted with the objectivity and independence that you and the entire Board of Regents expect. Rest assured that our unceasing commitment to quality is and will be reflected in every aspect of our work.

The attached report outlines the scope of our work and key considerations affecting the audit of the 2023 Schedule. If you have questions or comments on this material, please don’t hesitate to contact Carolyn at 959-200-7055.

We look forward to working with you again this year.



Carolyn S. Kurth, CPA, CFE  
Director  
CohnReznick LLP





# COHNREZNICK'S COMMITMENT TO YOU

- To provide forward-thinking solutions, service that exceeds expectations, and create opportunity, value, and trust for our clients, our people, and our communities.
- We are a firm of excellence and innovation—providing invaluable services and insights to our clients; fostering a workplace culture that develops leaders and values diversity; and working to make our communities better.

Meeting the **challenges**. Providing **value**.

# SERVICES AND DELIVERABLES TO THE CSCU SYSTEM

Schedule of CSCU 2020 Construction Expenditures – Cash basis	<ul style="list-style-type: none"><li>Express an opinion on the schedule of CSCU 2020 Construction Expenditures – Cash basis (the schedule)</li></ul>
	<ul style="list-style-type: none"><li>Communicate matters in accordance with AU-C 265, “Communicating Internal Control Related Matters Identified in an Audit.”</li></ul>
Non-attest services	<ul style="list-style-type: none"><li>Assist in the preparation of the Schedule</li></ul>

# KEY MEMBERS OF THE ENGAGEMENT TEAM

## Audit Resources

- Paul Ballasy, Not-for-Profit Engagement Partner
- Patricia McGowan, Higher Education Partner
- Carolyn Kurth, Director
- Alexandra Marsh, Manager

# AUDIT PLAN CONSIDERATIONS



## Understanding and Evaluating Controls

- Review accounting policies and procedures
- Understand internal control documentation and perform walkthroughs of key processes:
  - Cash receipts
  - Cash disbursements
  - Payroll
  - Revenue recognition
  - Journal entries
  - Financial reporting and closing



## Significant Risks

- Management override of controls
- Improper recognition of and reporting of project costs and budgets



## Key Audit Areas

- Direct Cost | Expenditures
- Labor Costs
- Ensure that the Schedule of Values (SOV) is based on management's original estimates and supported by the budget and bid documents.
- Make sure that the schedule is properly updated for any change order additions or deducts.
- Testing of the approved allocation methodologies utilized on the various projects for appropriate and accurate application.





# USE OF TECHNOLOGY

**Converge** is CohnReznick's preferred method of sharing electronic information with our clients. We leverage Converge to securely and efficiently communicate with our clients. Our portal allows our clients to upload and download documents, share open items, and review project information.

Converge 

**Microsoft Office 365 Email Encryption** is CohnReznick's method for sending protected emails to our clients. With this easy-to-use and proven service, our professionals can securely send clients sensitive, personal information, such as personally identifiable information ("PII"), protected health information ("PHI"), and credit card information, as regulated by the Payment Card Industry Data Security Standard ("PCI DSS").



**CCH Engagement** is a powerful trial balance and engagement workflow tool that not only allows us to automate financial statements, workpapers, and tax return preparation, but also provides the tools to manage and perform our engagements in a completely paperless environment.



**WorkFlow** enables our professionals to track entire tax processes, from the creation of an electronic tax folder, to the routing of client source documents, to the final delivery of the tax return reports to the client. It gives us convenient access to reports and the ability to easily monitor and manage project workflow.



**IDEA** data extraction software allows our professionals to gather and analyze financial information from your systems.



**GoFileRoom** is a Web-hosted document management service that maintains all paper and electronic files in a secure data center, allowing for convenient, 24/7 access from any location. CohnReznick professionals can access all client documents quickly and easily, which results in increased efficiency and quick response times for client requests. Other significant advantages of GoFileRoom include advanced document security and business continuity.



**TeamMate Analytics** data extraction software allows our professionals to gather and analyze financial information from your systems, aiding in the efficiency of our audit.



## Artificial Intelligence Software Tool

CohnReznick uses Leverton, an artificial intelligence software tool, to automatically extract data from documents to create structured data for better data analysis and document management. Leverton is a time-saving platform that uses optical character recognition and data extraction to efficiently consolidate data from disparate sources. Once data is consolidated, it can be validated, accessed, analyzed, and exported.



# TIMETABLE OF AUDIT SERVICES

	APRIL	MAY	JUNE	JULY	AUG	SEPT	OCT
Audit design and planning							
Planning meeting with audit committee and management							
Year-end field work							
Present draft of the Schedule and if applicable, management letter, to management & audit committee							
Issue Schedule and if applicable, management letter							

# RESPONSIBILITIES

## Management's Responsibilities\*

- The preparation and fair presentation of the Schedule in accordance with the Cash Basis of accounting.
- Designing, implementing, and maintaining of internal controls relevant to the preparation and fair presentation of Schedule that are free from material misstatement, whether due to fraud or error, fraudulent financial reporting, misappropriation of assets or violations of laws, governmental regulations, grant agreements, or contractual agreements.
- Accepting responsibility for nonattest services, including identifying the proper party with the skills, knowledge, and experience to oversee the nonattest services provided.
- Informing us of any known or suspected fraud affecting the entity involving management, employees with significant role in internal control and others where fraud could have a material effect on the Schedule.
- Ensuring the accuracy and completeness of all information provided.
- The audit of the Schedule does not relieve management or those charged with governance of their responsibilities.

## Auditor's Responsibilities\*

- Communicating with those charged with governance the responsibilities of CohnReznick regarding the audit of the Schedule and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.
- Forming and expressing an opinion about whether the Schedule has been prepared by management, with the oversight of governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.
- Establish the overall audit strategy and audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

*\*The complete terms of our mutual responsibilities are included in our engagement letter.*