



**AUDIT COMMITTEE**

APRIL 19, 2018

UNIVERSITY OF NEW HAMPSHIRE  
DURHAM, NEW HAMPSHIRE

**MEETING MINUTES**

**Committee members present:** Chairman Todd Black, Vice Chairman Alexander Walker, Shawn Jasper, Wallace R. Stevens, Frank Edelblut, M. Jacqueline Eastwood, and Scott Mason

**Other Trustees present:** President Donald Birx, President Mark Huddleston, President Mark Rubinstein, Interim President Melinda Treadwell, James Burnett, Christopher Pope, Adam Geddis, and John Small

**Others in attendance:** (KPMG) David Gagnon and Jen Renaud; (USNH) Ashish Jain, Carol Mitchell, Ron Rodgers, Kara Bean; (Governor's Office) Rhonda Hensley; (UNH) Brad Manning; (PSU) Katie Caron and Paul Brochu; (KSC) Ralph Stuart

A number of faculty, staff and students were also in attendance.

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**Call to Order**

The Audit Committee convened at 10:31 AM.

Chairman Black welcomed the committee and reviewed the agenda.

**I. Audit Committee Members**

Todd Black, Chair, Alexander Walker, Vice Chair, M. Jacqueline Eastwood, Frank Edelblut, Cathy Green, Shawn Jasper, Scott Mason, Wallace Stevens, Governor Sununu.

**II. Approval of Consent Agenda Items**

Chairman Black asked the committee members if they had any comments or questions on the Consent Agenda Items and there were none. On motion of Trustee Mason and duly seconded, the Audit Committee voted to approve the Audit Committee consent agenda items.

Items on the consent agenda appear below:

- A. Minutes of February 1, 2018 Meeting
- B. Minutes of March 27, 2018 Meeting
- C. Internal Audit Reports Issued:
  - 1. University of New Hampshire: UNH Conflict of Interest in Research Program Audit Report
  - 2. Plymouth State University: PSU Data Security Review - The Office of the Registrar

### **III. Items for Committee Consideration and Action**

#### **A. Approve appointment of KPMG as external auditors and KPMG's Fiscal Year 2018 audit plan covering USNH financial statements and federal awards under the Uniform Guidance**

Chairman Black summarized the contract situation with KPMG. The KPMG engagement contract was entered in FY13 for five years with an annual renewal option for two more years, i.e., FY18 and 19. Management will be reviewing options for FY20. In response to a question from Trustee Edelblut, Mr. Gagnon noted that although a five year audit partner rotation is required for listed companies, it is generally not the practice in higher education, adding that audit partners are rotated every 7-10 years for non-listed companies. Trustee Edelblut emphasized the importance of external auditor's rotation. Mr. Jain added that this item will be considered in due diligence for FY20.

Mr. Gagnon introduced the new senior manager, Jen Renaud, to the committee.

Mr. Gagnon presented the KPMG audit plan. The overall engagement objectives, scope, and responsibilities are consistent with prior years, while employing different procedures to test accounting records. The significant focus areas will include investments and alternative investment funds, and employee benefits. In addition, KPMG will also assess the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, reviewing calculations and census data. Trustee Small noted that management and the Board have been monitoring liabilities pursuant to GASB 75, and ways to reduce the liability.

Ms. Renaud discussed the Uniform Guidance audit risk assessment. The Research and Development (R&D) and Student Financial Aid Clusters are considered on a rotation basis. The R&D cluster will be covered in the FY18 audit. In response to a question from Trustee Edelblut, Mr. Gagnon noted that recent fraud at UNH did not play a significant role in this year's audit plan. Ms. Renaud informed that a planning meeting is scheduled for this afternoon. Mr. Gagnon noted that pursuant to the percentage coverage rule that at least 20% of total federal awards expended are audited as major if the auditee is a low risk entity. Mr. Gagnon added that the NCAA audit will be conducted under a separate engagement letter at UNH.

Mr. Gagnon updated the committee regarding last year's investigation into an information leak that lead to the termination of five partners at KPMG. PwC performed the peer review and issued a report on KPMG, which included comments for this item. Sufficient corrective actions were taken by the end of the peer review period. There were no comments or questions from the committee.

Mr. Gagnon briefly discussed the higher education update including Moody's 2018 Outlook, S&P 2018 Outlook, enrollment trends, the Gramm-Leach-Bliley Act (GLBA), and tax reform legislation. Institutions should consider whether their information security program appropriately addresses the required risks. In December 2017, the House Committee on Education and the Workforce approved tax reform legislation, H.R. 4508, Promoting Real Opportunity, Success, and Prosperity through Education Reform (PROSPER). The bill would reauthorize the Higher Education Act (HEA), the federal government's primary means of funding and regulating higher education. A Senate version of the reauthorization bill has not yet been released.

The committee had no further comments or questions.

On motion of Trustee Walker and duly seconded, the Audit Committee unanimously approved the following motion:

*VOTED, on recommendation of the Chancellor, that KPMG LLP be confirmed as the external auditor for the University System of New Hampshire to provide audit services related to activities of fiscal year ending June 30, 2018.*

#### **B. Enterprise Risk Management (ERM) Process and Roles**

Chairman Black explained that this motion is part of the formal process for Board committees to monitor top 10 risks identified in annual ERM report which was presented to the committee at the February meeting. Trustee Edelblut added that change management should be reviewed at a future meeting considering possible impact of upcoming change at top at UNH.

On motion of Trustee Walker and duly seconded, the Audit Committee unanimously approved the following motion:

*VOTED, on recommendation of the Chancellor, that the Audit Committee recommends to the Executive Committee the adoption of the following motion:*

*VOTED, on recommendation of the Audit Committee, the Executive Committee hereby formally assigns the top 10 system wide risks identified in the annual January 2018 ERM report to the appropriate Board committees, as specified in the attachment, for purposes of oversight.*

#### **IV. Items for Committee Consideration and Discussion**

##### **A. Receive USNH Council on Environmental Health & Safety Annual Report**

Brad Manning, Chair of the USNH Environmental Health & Safety Council, explained the mission and makeup of the Council, and gave a brief overview of the Council, programs in place and compliance status at each campus.

Katie Caron, Environmental Health and Safety Manager at Plymouth State University, discussed the status of the Fall Protection program at PSU. A formal evaluation is being completed, and action plans will be developed subsequent to that. In response to a question from Trustee Edelblut, a discussion regarding prioritization of risks ensued.

Regarding UNH, Mr. Manning stated that UNH OEHS received the CSHEMA Innovation Award of Merit for collaborative development of UNHCEMS with UNH Research Computing Center. The Office also utilized the National Biosafety Stewardship program's approach to implement a standardized autoclavable biohazardous waste-stream program campus-wide and worked with College of Life Sciences and Agriculture to create a fund to supply needed safety products for faculty and staff. In addition, UNH developed and implemented an Aerial Lift Safety Program, aligning aerial lift safety with the UNH Fall Protection Program (lifts are in use by Facilities, Ground and Events, Athletics, and Campus Recreation). During a recent unannounced compliance inspection for the Hazardous Materials Shipping program, the Federal Aviation Administration found no penalties and the agent praised UNH's efforts.

Ms. Caron and Dr. Paul Brochu updated the committee regarding environmental health and safety at PSU. Activities included the closure of the above ground storage tank (AST) at Co-Gen Facility, which resulted in zero fineable deficiencies; completion of the assessment of above ground storage tanks (ASTs) to prepare for registration with NHDES; development of an industrial lift procedure which ensures the safe use and operation of forklifts and formalizes inspection requirements and outlines specific training requirements; completion of a comprehensive review of the Confined Space Program & Lockout Tagout Programs and list of permit required confined spaces for the campus; Industrial Hygiene monitoring for airborne silica & formaldehyde (all below regulatory levels); and comprehensive cleaning of the Art Department ceramics studio conducted to reduce silica exposure.

Ralph Stuart, KSC Environmental Safety Manager, updated the committee regarding environmental health and safety. The KSC EHS Office continues to support the academic mission of *teaching, research and service* focusing on the success of KSC students in part by employing interns from the Safety Studies Program. The EHS office has prioritized responses to requests for assistance from campus departments, while monitoring national and regional EHS trends and meeting regulatory compliance requirements. In addition, Mr. Stuart is active in national networks to track the changing academic safety landscape as it evolves. Fall protection is a low level risk at Keene. Electric shop is another area which needs to be evaluated.

Mr. Manning provided GSC, System-wide and joint environmental health and safety updates, and legislative and rulemaking activities.

GSC has completed installation of a new fire alarm system at 25 Hall Street in June of 2017 which has significantly improved the functionality and flexibility of the fire safety system in the building. In addition, minor indoor air quality issues were identified and resolved through industrial hygiene testing and reworking a failed ducting issue.

System-wide updates include compliance with safety policies. Items reviewed included safety issues and procedures, fire drills, emergency exit signs and floor diagrams, fire extinguisher

inspections, and the removal of hazardous materials. CPR/AED training (2 year certification renewal) for System Office staff was recently conducted. Finally, all employees who drive USNH vehicles participated in Driver Safety Training provided by USNH's general liability insurance company, United Educators.

USNH EH&S Council's joint projects included the collaboration of KSC, PSU and UNH and USNH Procurement Services on the full renewal of the USNH term agreement for two contracts, one for asbestos abatement service and environmental engineering consulting services and one for regulated waste disposal services. These contracts save time and money by utilizing streamlined processes at the component institutions.

The Council's legislative and rulemaking activities include providing system-wide review and comment at various stages of the rulemaking process for new or revised health and safety rules which might impact campus operations, and reviewing proposed bills being considered by the general court and providing input to each component institution's administration on the potential impact to campus operations.

In response to a question from Trustee Eastwood regarding savings realized from collaborations with other campuses, Mr. Manning stated that the regulated waste disposal services saved UNH approximately \$50,000. UNH saved \$10-20,000 by faculty utilization of the UNHCEMS program.

Chairman Black praised the Council and expressed appreciation for their work.

#### **B. Review USNH Conflict of Interest Policies and Related Management Processes**

Mr. Rodgers stated that USNH has obtained disclosures from the Board of Trustees and Executive Officers and no significant issues were noted. Mr. Rodgers informed that the Governance Committee discussed changes to Board of Trustee policy to include clarification on disclosures for relationships with other institutions.

The Office of General Counsel is working on revisions to the employee Conflict of Interest policies to make them applicable to all employees, cover conflicts of commitment, and enhance it with new elements drawn from other schools' policies and disclosure procedures. A draft of the revised policy is expected to be provided to Administrative Board for comments and adoption. In addition, General Counsel will be recommending revisions to the Executive Officer disclosure form to make it more robust.

There were no questions from the committee.

#### **C. Administrative Board's Response to Inquiry on Reporting Protocols**

The Administrative Board has requested that the committee consider whether the current protocol for reporting sexual harassment complaints in certain situations to the Board of Trustees is adequate and appropriate.

Discussion regarding at what stage in the process notice to the Board of Trustees and/or Board leadership should ensue, what is considered the “balance” between informing and overreaching, and reputational/public perception risk. Trustee Small noted that “media worthy” issues will be reported to the full Board.

Title IX reporting will capture these issues in statistics and this will help the committee to remain informed about these issues. Chairman Black suggested that Administrative Board consider and adopt best practices in this regard to stay abreast of these matters.

Vice Chairman Walker stated that this issue is worth a longer discussion to evaluate organizations that have successfully handled these issues and the process utilized.

Chairman Black thanked Mr. Rodgers and the Administrative Board for their work on this issue.

The Audit Committee adjourned at 12:00 PM.

*-- End of Audit Committee Meeting Minutes --*