



AUDIT COMMITTEE
OCTOBER 25, 2018

PLYMOUTH STATE UNIVERSITY
PLYMOUTH, NEW HAMPSHIRE

MEETING MINUTES
Draft for Approval

Committee members present: Acting Chairman Wallace R. Stevens, M. Jacqueline Eastwood, Cathy Green, Shawn Jasper, Scott Mason, and Frank Edelblut

Other Trustees present: President Donald Birx, Interim President Melinda Treadwell, President Mark Rubinstein, Christopher Pope, James Gray (designee), Christian Merheb, Ted Dey, Nadia Hasan, Rick Ladd (designee), Todd Leach and Joseph Morone

Others in attendance: (USNH) Cathy Provencher, Carol Mitchell, Ron Rodgers, Kara Bean, Ashish Jain; (Governor's Office) Rhonda Hensley; (KPMG) David Gagnon and Jen Renaud

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

Call to Order

The Audit Committee convened at 10:33 AM.

Trustee Stevens noted that Chairman Black and Vice Chairman Walker were unable to attend today's meeting. As such, he will be Acting Chairman of today's meeting.

He welcomed the committee, reviewed the agenda, and stated that a quorum has been reached.

I. Audit Committee Members

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

II. Approval of Consent Agenda Items

Trustee Stevens asked the committee members if they had any comments or questions on the Consent Agenda Items.

Trustee Edelblut expressed his concern regarding weaknesses in the purchasing card program, to which Vice Chancellor Cathy Provencher concurred. She stated that the new e-procurement tool is intended to drive spending away from purchasing cards. Additionally, purchasing card policies are being evaluated and revised.

In addition, Trustee Edelblut noted on the vendor master file audit that the new vendor set up process should contain employee vs. contractor evaluation. Ms. Provencher acknowledged the weaknesses noted in the report and stated that vendors are being evaluated. Mr. Jain noted that the revised vendor set up procedures should address this evaluation.

On motion of Trustee Green 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 June 22, 2018 Meeting
- B. Audited financial statements of the University of New Hampshire Foundation (UNHF) for the year ended June 30, 2018
- C. Internal Audit Reports Issued:
 - 1. USNH Vendor Master File Review
 - 2. USNH Purchasing Card Expenses Audit
 - 3. KSC Student Loan Disbursement Notifications Review

III. Items for Committee Consideration and Action

A. University System of New Hampshire FY2018 Financial Statements

USNH Controller Carol Mitchell discussed financial highlights including 10-year revenue trends, fall full-time equivalent (FTE) enrollment, State appropriations and resident tuition vs. nonresident tuition, financial aid by type of award and source of funds. Ms. Mitchell noted the trend of students acquiring aid using fewer loans. She also discussed unrestricted financial resources to debt ratio and net asset growth for the past 4 years.

In response to a question regarding the Granite Guarantee, Ms. Provencher clarified that the program is not funded by the State, and therefore will not be reflected in the amount of State general appropriations. The Governor's Scholarship (effective in FY19) is State-funded and will be included as part of grant fund dollars in next year's annual report.

B. Review FY18 audit report and comments from KPMG

David Gagnon introduced Senior Manager at KPMG, Jen Renaud.

Mr. Gagnon stated that the USNH audit resulted in an unmodified opinion on the financial statements. There was an emphasis of matter paragraph for GASB 75 adoption, which consequently reduced unrestricted financial resources. There were no material weaknesses or

significant deficiencies noted. Of significance is the fact that there were no uncorrected audit adjustments.

Ms. Renaud noted that there was a reclassification of approximately \$18 million of operating expenses that had been classified as instruction to other functional line items (footnote 13). She added that subsequently a correction was made to the FY2017 financial statements and the correction is noted in the FY2018 financial statements.

Mr. Gagnon detailed the process and focus areas for the USNH audit, which included the adoption of GASB 75 (effective 7/1/17). He pointed out that USNH's adoption of the standard was less pronounced than other entities due to the conservative approach taken by USNH. Other process and focus areas included cash and investments (the largest focus); contribution revenue, related receivables and net assets; debt and related items; capital assets and related depreciation; tuition and fees, and related receivables; grants and contracts revenue, sales of auxiliary services and NH appropriations; compensation and benefits and related liabilities; and commitments and contingencies. KPMG also conducted a detailed testing of individual student tuition bills and found no issues.

The Uniform Guidance audit is ongoing. Research and development will be the focus of the audit.

Mr. Gagnon stated that KPMG maintained heightened awareness and professional skepticism regarding a USNH purchasing card fraud identified in FY2017. Although this poses a potential increased risk area, Mr. Gagnon noted that process changes are occurring.

Finally, Mr. Gagnon briefly pointed out the upcoming GASB standards.

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

***VOTED**, on recommendation of the Chancellor, that the USNH Financial Statements for the fiscal year ended June 30, 2018 be approved and forwarded to the Board of Trustees with the following recommended action:*

MOVED, on recommendation of the Audit Committee, that the USNH Financial Statements for the fiscal year ended June 30, 2018 be accepted and forwarded to the Governor, the Legislative Fiscal Committee, and others as specified in state law RSA 187-A:22.

C. Recommendation to amend Board of Trustees policy BOT V.C by adding a new section regarding reporting allegations of employee sexual harassment and violence

General Counsel Ron Rodgers gave a brief background on the development of the BOT policy and the Administrative Board policy.

Mr. Rodgers noted that the amendment would require a chief executive officer of a USNH institution to report to the Chair of the Board of Trustees and Chair of the Audit Committee any

allegation of sexual harassment or violence by an employee of the institution as soon as the allegation is known to the chief executive officer.

The Committee and Mr. Rodgers discussed definitions of employee, sub-contractor and contractor, and the role of the campus and the university system when an allegation is made.

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

***VOTED**, on recommendation of the Administrative Board, that the Audit Committee recommends to the full Board of Trustees the adoption of the following motion:*

MOVED, on recommendation of the Audit Committee, the full Board of Trustees hereby amends Board of Trustees policy BOT V.C by adding a new section regarding reporting allegations of employee sexual harassment and violence, as shown in the attached materials.

IV. Items for Committee Consideration and Discussion

A. Receive Enterprise Risk Management (ERM) midyear update

Mr. Rodgers gave a brief overview of the process for identifying, assessing, and managing risks. He provided an update on the top risks, noting that input from all campuses and the system office have been incorporated in this update. Due to the fact that this update identifies a new risk related to Communication Strategy, there are now 11 top risks instead of 10.

An annual report will be presented to the Audit Committee at its April meeting.

Committee members had no comments or questions.

V. Other Business

Following up on the earlier discussion, President Rubinstein specified campus allocations for the Governor's Scholarship. He noted that due to the requirement that recipients graduate from high school no more than three years prior to enrolling and the fact that Granite State College students are typically adult learners in the workforce, funds allocated to Granite State College may have to be relinquished. Senator Gray and Trustee Edelblut will look into this matter.

Pursuant to the Audit Committee Charter, Mr. Gagnon noted that the FY2019 audit will be his final year as the lead audit partner. He and members of the USNH team are working on identifying a replacement. Trustee Stevens expressed appreciation for Mr. Gagnon and his work for USNH.

The Audit Committee adjourned at 11:35 AM.

-- End of Audit Committee Meeting Minutes --