



AUDIT COMMITTEE

APRIL 25, 2019

UNIVERSITY OF NEW HAMPSHIRE
DURHAM, NEW HAMPSHIRE

MEETING MINUTES

Draft for Approval

Committee members present: Chair Todd Black, Vice Chair Alexander Walker, M. Jacqueline Eastwood, Frank Edelblut, Cathy Green, Scott Mason, Shawn Jasper

Other Trustees present: James Dean, Melinda Treadwell, Mark Rubinstein, John Small, Representative Marjorie Smith (Speaker of the House designee), Chris Pope

Other participants: (KPMG) David Gagnon, Jen Renaud, Scott Warnetski; (UNH) Brad Manning; (PSU) Katie Caron; (KSC) Ralph Stuart; (Governor's Office) Rhonda Hensley; (USNH) Catherine Provencher (left at 11:15), Ashish Jain, Carol Mitchell, Ron Rodgers, David DeLuca, Kara Bean

I. Call to Order

Committee Chair Black called the meeting to order at 10:31 a.m. and noted the presence of a quorum sufficient for the transaction of business.

II. Approval of Consent Agenda Items

Chair Black asked the committee members if they had any comments or questions about the consent agenda items; there were none. On motion offered by Trustee Edelblut and duly seconded, the committee voted to approve the consent agenda.

Items on the consent agenda appear below:

- A. Minutes of January 17, 2019 Meeting
- B. Internal Audit Reports Issued:
 - 1. PSU Sponsored Projects Review Report
 - 2. KSC Center for Health and Wellness Data Security Review Report

III. Items for Committee Consideration and Action

A. Approve appointment of KPMG as external auditors and KPMG's Fiscal Year 2019 audit plan covering USNH financial statements and federal awards under the Uniform Guidance

Chair Black briefly reviewed KPMG's engagement. KPMG was selected to be the USNH's audit firm in Spring 2013 for audits of the financial statements of USNH for FY13 and up to six years thereafter. The proposed action would reengage KPMG for another year based on the reasonable fees proposed for this year's services and USNH's satisfaction with the audit services provided by KPMG in the six prior years.

FY19 is the last year of the existing contract. USNH will go out to bid early this Fall, and will have an engagement recommendation at the April 2020 meeting.

David Gagnon introduced Jen Renaud and Scott Warnetski. Mr. Gagnon is beginning his seventh year as the lead engagement partner. Pursuant to the rotation policy, Mr. Warnetski will be working with Mr. Gagnon to transition to lead engagement partner. Mr. Warnetski briefly discussed his background and work with KPMG.

Ms. Renaud discussed the 2019 audit plan. The overall engagement objectives, scope, and responsibilities are consistent with prior years. The significant focus areas will include investments and alternative investment funds, employee benefits, and student billing. In addition, KPMG will assess compliance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and footnote disclosures. Adoption of GASB 83, *Certain Asset Retirement Obligations* (effective FY19) and GASB 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* will also be addressed.

Programs subject to the single audit are Research and Development (R&D), Student Financial Assistance Cluster, and the TRIO cluster. The TRIO Cluster is a low risk Type B program nearing the Type A threshold which if met in FY19 would require program to be audited as a Type A major program. TRIO refers to a number (originally three, now eight) of U.S federal programs to increase access to higher education for economically disadvantaged students.

Mr. Gagnon referred the committee to the higher education update, sector fundraising in FY18, 2018 NACUBO-TIAA study of endowments, AGB 2018 trustee index, and an article regarding 2019 audit committee agenda items contained in the audit plan. The article discusses agenda priorities including cybersecurity and enterprise risk management (ERM). Boards are also focusing on campus culture and the audit committee's role in overseeing it. In addition, admissions processes and controls are topics for discussion in light of the recent news stories regarding admissions fraud. Internal Audit and External Audit coordination on auditable areas is also in focus. Mr. Gagnon informed the committee that there is very good coordination between KPMG and USNH Internal Audit on this topic.

In response to a question from Trustee Eastwood, Ms. Provencher stated that a firm other than KPMG has been chosen to perform the NCAA agreed upon procedures related to the UNH

Athletics Department's statement of revenues and expenditures, which will result in significant savings for USNH. Ms. Provencher clarified that this engagement is not an audit of UNH Athletics, and these agreed upon procedures do not cover risks areas highlighted in the national media.

The following motion was made by Trustee Black, duly seconded, discussed, and approved with no votes abstained or dissenting.

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, 2019.

B. Enterprise Risk Management ("ERM") Annual Report and Assignment of Risks

Ms. Provencher explained that this motion is part of the formal process for Board committees to monitor top 10 risks identified in annual ERM report. She reviewed the report and highlighted the top 10 system-wide risks.

Chair Black added that it was important to take a closer look at enrollment.

The following motion was made by Trustee Black, duly seconded, discussed, and approved with no votes abstained or dissenting.

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 2019 annual 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.

Mr. Manning discussed updates at UNH. Hazardous waste managers from OEHS removed 2,917 containers in inventory resulting in a reduction of 7.7% across UNH. COLSA reduced its legacy chemical inventory by 16.5%. UNH received NHDES approval of their proposed procedure to manage the transportation and disposal of hazardous wastes generated at the University of New Hampshire/Cornell University Shoals Marine Laboratory partnership located on Appledore Island, Kittery, Maine. The approval documents procedures that ensure compliance with hazardous waste regulations at this unique geographic location which requires compliance coordination of New Hampshire and Maine. OEHS collaborated with the Molecular, Cellular and Biological Science (MCBS) staff to develop a laboratory safety training for undergraduate students. The training was

successfully rolled out in 2018, and over 1000 students took part in the training. OEHS and MCBS staff hope to expand the program in the upcoming year.

Katie Caron, Environmental Health and Safety Manager at Plymouth State University, updated the committee regarding environmental health and safety at PSU. PSU completed the registration of 30 petroleum containers, including applicable above ground storage tanks (ASTs) with the NH Department of Environmental Services (NHDES), and completed a comprehensive Spill Control & Countermeasure Plan (SPCC). The SPCC plan provides details on petroleum storage locations at the University, the potential for spills, spill pathways to navigable water, ways to reduce and/or eliminate spill potential, as well as outlining emergency procedures to follow if a spill were to occur. The completion of both items resulted in a traffic light summary item changing from yellow to green. The University's State Permit to Operate (SPO) was renewed. The SPO is an air permit held with the NH Department of Environmental Services (NHDES) for air pollutant-emitting equipment. NHDES conducted an air compliance inspection resulting in only minor recordkeeping recommendations. PSU completed a written Roof Safety and Fall Protection Program, turning a traffic light summary item from red to green. An EHS staff member left PSU in December of 2018. A replacement has been hired and will begin in May.

KSC's Environmental Health & Safety Manager, Ralph Stuart, stated that KSC Environmental Health and Safety employs student interns from the Safety Studies Program to complete a variety of tasks while providing professional experience in their chosen field. In 2018, the program hosted 3 interns, for both work study jobs and academic credit in both semesters. Mr. Stuart has also supported other academic programs with job specific trainings and class presentations on topics including fire extinguisher usage, endocrine disruptor policy, wood shop safety and senior capstone projects. KSC EHS has partnered with the Department of Campus Safety to conduct emergency preparedness training for a variety of campus audiences including the President's Cabinet, Child Development Center, Founder's Day program and incoming new employees. The program has also been active in national networks in order to track the academic safety landscape as it evolves and raise KSC's profile in the academic job market for the safety program's graduates. Mr. Stuart served as the Chair of Committee on Chemical Safety for the American Chemical Society.

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

EHS planning at GSC was focused on routine workplace health and safety issues. Through a partnership with UNH Police, GSC has revised the Emergency Operations Plan to mirror the general format of the UNH plan.

There were no major System-wide issues in 2018. The USNH Emergency Procedures pamphlet has been updated to include active shooter, evacuation procedures, bomb threat and medical/first aid emergencies. Silent alarms were installed at strategic locations in the System Office.

USNH EH&S Council's joint projects included underground and above ground storage tank management, fall protection program development and management, institutional biological safety

and security program management, and integrated contingency and spill prevention control and countermeasure plans.

The Council provided 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 reviewed proposed bills being considered by the general court, providing input regarding the potential impact to campus operations.

Mr. Manning also added that UNHCEMS (an electronic hazardous material inventory system developed by UNH) has received 36 new licenses.

In response to question from Trustee Pope, Ms. Caron discussed the number of programs undergoing review, improvement, or under development (“yellow light”) at PSU. There have been staffing issues which contributed to delays in full implementation of these programs. However, with the addition of a second staff member and ongoing development of an annual gap analysis, Ms. Caron expects compliance status improvements in the coming year.

Committee members expressed appreciation for the Council’s work.

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

Mr. Rodgers stated that USNH has obtained all disclosures requested from the Board of Trustees and Executive Officers. No significant issues were noted.

The Office of General Counsel is working on revisions to the employee Conflict of Interest policies to make the annual disclosure requirement applicable to all employees.

Mr. Rodgers informed that the Governance Committee has prepared a proposal to amend and update the Board of Trustee policy on conflict of interest.

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.

V. Other Business

There being no further business, the meeting adjourned at 11:45 a.m.

-- End of Audit Committee Meeting Minutes --