Committee members present: Chair Alexander Walker, Amy Begg, M. Jacqueline Eastwood, Frank Edelblut, Shawn Jasper

Other Trustees present: Don Birx, George Hansel, Marjorie Smith, Joseph Morone

Other participants: (USNH) Catherine Provencher, Carol Mitchell, Ashish Jain, Kara Bean; (Governor’s Office) Rhonda Hensley; (KPMG) David Gagnon, Jen Renaud, Scott Warnetski

I. Call to Order

Committee Chair Walker called the meeting to order at 11:40 a.m. and noted the presence of a quorum sufficient for the transaction of business.

II. Approval of Consent Agenda Items

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

Items on the consent agenda appear below:

A. Minutes of June 27, 2019 Meeting
B. Internal Audit Reports Issued:
   1. GSC Human Resources - Data Security Review Report
   2. UNH Linux Servers Security Audit Report-Redacted
   3. UNH Donor Restriction and Compliance Audit Report
III. Items for Committee Consideration and Action

A. Approve FY19 University System of New Hampshire Financial Statements
B. Review FY19 audit report and comments from KPMG

USNH Controller Carol Mitchell discussed financial highlights including 10-year revenue trends, gross revenues by source, direct student aid vs. student loan trends (noting the trend of students acquiring aid using fewer loans), financial aid by type of award and source of funds, net asset growth for the past four years, and unrestricted financial resources to debt ratio.

Ms. Mitchell discussed the composition of resident and non-resident students. Trustee Eastwood inquired about the composition of international students in the non-resident student population. Trustee Morone inquired about the percentage of need-based financial aid awarded to resident vs. non-resident students. Ms. Mitchell indicated she would provide the requested information at a future meeting.

In response to a question from Trustee Morone regarding restricted vs. non-restricted campus resources, Ms. Provencher noted that there is an ongoing effort at UNH to utilize available restricted funds prior to utilizing unrestricted funds in the budgeting process. Trustee Morone added that the Audit Committee should also be tracking the progress on this.

Ms. Provencher expressed appreciation to Ms. Mitchell and her team for their work on the financial statements and audit.

Chair Walker introduced David Gagnon, Jen Renaud and Scott Warnetski from KPMG. He noted that partner Dave Gagnon has been on the account for the last seven years. The Audit Committee Charter requires audit partner rotation after seven years. As such, Mr. Warnetski played a significant role in this year’s audit and will succeed Mr. Gagnon.

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 83 and GASB 88 adoptions, which required supplementary information. There were no material weaknesses or significant deficiencies noted. Of significance is the fact that there were no corrected or uncorrected audit adjustments, and there were no control deficiencies reported over financial reporting.

Ms. Renaud briefly discussed the process and focus areas for the USNH audit, which included the adoptions of GASB 83 and GASB 88. Other process and focus areas included cash and investments; 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; supplies and services expenses and related liabilities; and commitments and contingencies. Ms. Renaud praised Ms. Mitchell and her team, noting that USNH’s audit was completed in mid-September.

The Uniform Guidance audit is ongoing.
Mr. Warnetski discussed the new accounting standards effective in FY20, FY21 and FY22, specifically GASB 84 and 87. GASB 84 (Fiduciary Activities) is effective in FY20 and GASB 87 (Leases) is effective in FY21. Apart from these two GASB standards, other new standards are not expected to impact USNH significantly. Ms. Provencher stated that USNH has begun preparations for compliance with GASB 87 and will be ready for implementation in FY21.

Mr. Gagnon briefly discussed the industry updates.

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

**VOTED, on recommendation of the Chancellor, that the USNH Financial Statements for the fiscal year ended June 30, 2019 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, 2019 be accepted and forwarded to the Governor, the Legislative Fiscal Committee, and others as specified in state law RSA 187-A:22.**

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

**A. Enterprise Risk Management (ERM) Midyear Update**

Ms. Provencher briefly described the process to determine risks and provided a brief update on the top 10 risks including changes since the last report. She noted that input from all campuses and the system office has been incorporated in this update.

Since the annual ERM report in April, the Enrollment risk has been changed from a medium risk to a high risk (moving from no. 5 to no. 2).

Ms. Provencher informed that committee that Trustee Pope has been working with UNH Police Chief Paul Dean to discuss campus safety. Trustee Pope will provide his findings at a future meeting of the Audit Committee.

At the suggestion of Chair Walker, the committee will be provided with a detailed description and assessment of one or two of the four risks assigned to the Audit Committee at the January meeting. This “deeper dive” of ERM risks will occur at subsequent meetings. He added that it will important to hear about crisis communication plans as there is designated staff to handle such communications.

Trustee Morone noted that the Talent Management risk is currently assigned to the Financial Affairs Committee, and that it might be more appropriately assigned to the full Board.

Trustee Morone suggested that each campus can provide assessment on their preparedness for Campus Safety matters.

An annual ERM report will be presented to the Audit Committee at its April 2020 meeting.
V.  **Non-Public Session**

Chair Walker informed that the executive session with management and auditors is a best practice and going forward every audit committee meeting will have a private session. The following motion to enter into non-public session was made by Trustee Eastwood. The motion was duly seconded and unanimously approved by roll call vote.

**VOTED, that the Audit Committee go into non-public session for the purpose of discussing:** (1) matters which if discussed in public would likely adversely affect the reputation of a person or persons other than members of this committee, (2) confidential personnel matters, and (3) matters the disclosure of which would constitute a breach of privacy, as authorized by RSA 91-A:3, II (a) and (c), and 91-A:5, IV.

The committee entered into non-public session at 12:38 p.m.

The public session reconvened at 1:02 p.m. Chair Walker announced that no votes were taken, and no decisions were made in non-public session.

VI.  **Other Business**

There being no further business, the meeting adjourned at 1:02 p.m.

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