



**AUDIT COMMITTEE**

OCTOBER 22, 2021

PLYMOUTH STATE UNIVERSITY  
PLYMOUTH, NEW HAMPSHIRE

*and*

BY ZOOM MEETING:

[HTTPS://UNH.ZOOM.US/J/92467918189](https://unh.zoom.us/j/92467918189)

**MEETING MINUTES**

**Committee members physically present:** Chair Alexander Walker, Wallace R. Stevens, M. Jacqueline Eastwood, Shawn Jasper, Mackenzie Murphy

**Other Trustees physically present:** Melinda Treadwell, Sen. James Gray

**Other participants participating by videoconference:** (USNH) Karyl Martin, Ashish Jain, Kara Bean, Francine Ndayisaba; (GSC) Tiffany Doherty; (PSU) Janette Wiggett; (KSC) Jeffrey Maher, Kelli Jo Harper; (USSB) Reshma Giji, Ty Gioacchini, Jacob Riley, Christian Merheb; (CLA) Andy Lee, Luke Winter

**Other participants participating in person:** (USNH) Tia Miller; (UNH) Wayne Jones; (Governor's Office) Jonathan Melanson

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**I. Call to Order**

At 10:32 a.m., Committee Chair Walker called the meeting to order. Chair Walker called the roll and noted the presence of a quorum sufficient for the conduct of business. On a question regarding committee membership, Chair Walker declared that he has made Trustee Stevens' resignation from the committee effective end of day on Friday, October 22, 2021.

**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 Eastwood and duly seconded, the committee voted to approve the consent agenda.

Items on the consent agenda appear below:

- A. Minutes of April 15, 2021 Meeting
- B. FY21 Financial Statements and audit report/comments for UNH Foundation
- C. ERM Update on Information Technology and Security
- D. Internal Audit Reports Issued:
  - 1. KSC Admissions Data Security Review Report
  - 2. PSU Student Billing Audit Report
  - 3. UNH Undergraduate Admissions Data Security Review Report

Chair Walker noted that the UNH Foundation financial statements were approved by the Foundation's Board and the ERM update for Information Technology and Security was reviewed by the Administrative Board at their August meeting.

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

- A. Approve FY21 University System of New Hampshire Financial Statements**
- B. Review FY21 audit report and comments from CLA**

Mr. Jain introduced Francine Ndayisaba, USNH Director of the Financial Operations Center and Controller, and Andy Lee and Luke Winter from CLA.

Ms. Ndayisaba noted that the audit went well and there were no concerns. She discussed financial highlights including statements of revenues, expenses, and changes in net position since FY17, statements of net position since FY17, and statements of cash flows since FY17.

Financial highlights in FY21 include:

- USNH had an unprecedented net loss of \$44M. The results reflect the impact of Covid-19 related costs of \$64M of which approximately \$50M were in surveillance testing, offset by \$20M in HEERF institutional support and \$33M in GOEFFER state support. In addition, the Covid Enhanced Voluntary Separation Incentive Program (CERP) had a cost of \$56M. There were 485 participants in the program.
- There were healthy returns on endowment investments which increased the market value of total endowments by \$211M over the prior year
- There was a \$39M net increase of UFR. The increase in endowment returns drove this increase.
- USNH adopted three new accounting standards. The most notable standard adopted was GASB 84 regarding fiduciary activities which affects reporting of the Operating Staff Retirement Plan (OSRP). However, USNH has historically presented these funds in the notes to the financial statements so no further compliance was necessary. The remaining two accounting standards had no effect on the financial statements.

Ms. Ndayisaba drew the committee's attention to net tuition and fees, employee compensation and supplies and services on the statements of revenues, expenses and changes in net position. Net tuition and fees decreased due to a decrease in enrollment and an increase in financial aid.

Employee compensation increased in large part because of the CERP. The supplies and services cost increased due to Covid expenses.

On the statements of net position, Ms. Ndayisaba highlighted the increase in endowment and similar investments due to healthy returns and the increase in other liabilities and deferred inflows of resources again due to the CERP.

Finally, Ms. Ndayisaba discussed receipts from tuition and fees (net), noncapital gifts, grants and other receipts, and net cash (used in)/provided by investing activities on the statements of cash flows. There was a decrease in net tuition and fees due to FY20 student refunds which remained in student accounts. USNH received grants such as CARES and GOEFFER grants which contributed to the increase in grant funds. Net cash increased due in part to an investment liquidation.

Chair Walker expressed his appreciation for the work of Ms. Ndayisaba and her team.

There were no questions or comments from the committee.

Mr. Lee briefly reviewed the engagement scope and deliverables which includes issuance of the following reports: required governance communications letter, internal control communication letter, and a management letter, if necessary. Mr. Lee noted that a management letter was not necessary this year.

The Uniform Guidance Audit is in progress. CLA is expecting one compliance supplement. They will perform Major Program Determination and Risk Assessment to identify other major programs for testing. The results are typically provided at the January Audit Committee meeting.

Mr. Lee reviewed the responsibility overview of governance, management and the independent auditor, and audit focus areas. He noted that the focus areas did not deviate from the plan discussed at the April Audit Committee meeting.

Finally, Mr. Lee stated that the USNH Financial Statement audit resulted in an unmodified opinion (“clean opinion”) on the financial statements, noting his appreciation to the USNH Accounting and Finance team.

Regarding internal controls, Mr. Winter stated that CLA found no material weakness or significant deficiencies, no non-compliance with laws and regulations regarding internal controls over financial reporting, compliance and other matters. He reminded the committee that CLA does not express an opinion on the effectiveness of the System’s internal controls because it is not required under GAAS.

Mr. Winter briefly discussed the footnotes in the financial statements, specifically management’s significant accounting policies (Note 1) and disclosure around the COVID-19 pandemic (Note 15).

CLA concluded that management has a reasonable basis for significant judgements and estimates for items including Net Pension Asset & Net OPEB Liability and noted that they are in agreement with management.

There were no corrected misstatements, errors or adjustments noted. There was one uncorrected misstatement regarding Investment FMV Appreciation. Mr. Winter emphasized that this was not an error; the confirmations revealed that there was a higher threshold than shown. There were no disagreements with management on accounting/auditing matters.

Emerging issues include GASB 84, 87, 93 and 96. GASB 84 regarding Fiduciary Activities (any funds owned by other parties) was adopted in FY21. CLA concluded that OSRP funds are immaterial to USNH and subsequently a separate statement is unnecessary. GASB 87 regarding Leases is effective in 2022 and will be a significant workload. Management is working with an accounting firm to comply with the standard. Also effective in 2022 is GASB 93 regarding replacement of interbank offered rates; however, it should have no major effect on USNH. GASB 96 regarding cloud-based subscription information technology arrangements is effective in 2023.

In response to a question from Chair Walker, Mr. Lee stated that much of the audit work was done virtually. CLA and management will revisit this arrangement for next year's audit. Mr. Lee noted that CLA is comfortable with that approach. Mr. Winter mentioned that CLA will be on site at UNH next week for the single audit.

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

***VOTED**, on recommendation of the Chief Administrative Officer, that the USNH Financial Statements for the fiscal year ended June 30, 2021 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, 2021 be accepted and forwarded to the Governor, the Legislative Fiscal Committee, and others as specified in state law RSA 187-A:22.*

### **C. Approve Audit Committee FY22 Meeting Schedule and Work Plan**

Mr. Jain noted that the work plan is being presented at this meeting due to the cancellation of the June 2021 meeting.

Items expected to be on the January agenda include the Single Audit report, Internal Audit's annual plan and report, and ERM updates as presented to Administrative Board. The Title IX report is on the agenda for the January 2022 meeting; however, the Title IX Coordinators have proposed to present the next report at the January 2023 meeting because of changes in the state law. The timing can be adjusted based on the committee's expectations.

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

*VOTED, on recommendation of the Chief Administrative Officer, that the Audit Committee FY22 Meeting Schedule and Work Plan be approved.*

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

### **A. Title IX Annual Report**

Chair Walker introduced the Title IX staff present at the meeting. Jeffrey Maher discussed the update and report. He noted that the report was scheduled for the June 2021 meeting, and that the reporting period covers from July 2020 through May 2021.

Mr. Maher briefly explained the term “disclosure.” There was a decrease in the total number of disclosures (including pre-affiliation) to 201. These trends are consistent with prior years though the number of incidents is lower due in part to the impact of COVID-19. Sexual harassment and sexual assault with penetration (27% each) were the highest reported types of misconduct, followed by dating violence (12%).

Overall, there were approximately 21% fewer disclosures across the University System compared to 2019-2020 (pandemic shutdown) and 31% fewer than 2018-19 (pre-pandemic). Reduced on-campus density, social gathering restrictions, and remote/hybrid classes all contribute to these trends. The new Title IX regulations were effective in August 2020 so this was the first academic year under the new regulations, which require a formal complaint to initiate an institutional investigation of misconduct. Of 182 affiliated disclosures, 14 parties chose to initiate formal complaints. The high number of formal complaints was unexpected but Title IX Coordinators were able to process them using tools such as shared resources and Zoom.

RSA 188-H was effective in January 2021. Title IX Coordinators are actively working to meet the law’s requirements which include development of policies, climate surveys, awareness campaigns, and data reporting to the NH Department of Education (DOE). A state-wide Task Force, on which USNH is participating, is the vehicle for these requirements. There are also a number of sub-committees being formed. A Confidential Resource Advisor has been designated and protocols regarding investigations and prosecution of sexual misconduct incidents have been updated. All NH institutions must conduct a climate survey (due in March) and provide annual data concerning allegations of sexual misconduct to the DOE, Department of Health and Human Services (DHHS), NH House and Senate (due annually on October 1). A standardized climate survey was recently released. Data required for DOE reporting include allegations of dating and domestic violence, sexual assault, stalking, concurrent law enforcement investigations, and student conduct outcomes. Important to note is that the data will be comparative to other NH institutions outside of USNH.

Trustee Eastwood inquired whether the state data excluded data that has previously been reported. Attorney Martin noted that at a minimum the USNH reports will be supplemented with information concerning 3<sup>rd</sup> party reports. She also confirmed that data and climate surveys regarding other institutions will be included for the committee.

Chair Walker asked whether there were inconsistencies or redundancies between State and Federal law. Mr. Maher stated there are some inconsistencies because the state law was passed before the Title IX rules were finalized. He noted that the DOE is using the rulemaking process to clarify the requirements for the climate survey.

For consistency and data analysis purposes, USNH Title IX Coordinators proposed to consolidate the Board of Trustees report with the annual State reporting. Title IX Coordinators would like to submit their next annual report to the Audit Committee in January 2023 which would cover the data from the prior academic year, and every January thereafter. The committee agreed with this approach.

Chair Walker thanked the Title IX coordinators for their valuable work.

### **B. Results of Audit Committee's Self-assessment**

Mr. Jain noted that there was low survey participation. Mr. Jain requested members to provide feedback/comments/questions, which can be incorporated into the upcoming meetings. If necessary, committee members can contact him with any feedback.

In response to a question from Chair Walker regarding suggestions for “deeper dive” items, Trustee Stevens emphasized the importance of Title IX and campus culture. He also encouraged USSB representatives to attend meetings. Lastly, he noted the value of USNH financial staff.

### **C. Review Audit Committee Charter**

The Audit Committee has the responsibility to review and assess the adequacy of the Audit Committee Charter on an annual basis and recommend any changes to the Board.

No changes to the Audit Committee Charter are recommended by USNH staff at this time.

Mr. Jain asked the Committee members to provide suggestions. If necessary, committee members can contact him with any feedback.

There were no questions from the committee.

### **D. Status of Outstanding Audit Issues**

Mr. Jain noted that the list of outstanding audit issues (as of June 9, 2021) includes all significant (high risk) open issues from past audit reports and those that were closed since the report was last distributed to the Audit Committee. It is updated semi-annually for follow-up and control monitoring purposes. Of 78 action plans currently being tracked, including nine from internal audit reports issued since the last semi-annual, 11 of the underlying risk/control issues have been reported by management as resolved and the remaining 67 are in process, much improved, on hold, and/or management has accepted the residual risk.

In response to a question from Trustee Eastwood, Mr. Jain noted that Information Technology related risks are most concerning. He and his team work closely with staff responsible for monitoring these items. Much progress has been made to mitigate these risks such as MFA (multi-factor authentication), encryption, etc. Some solutions may require resources and/or technology which delay progress.

Trustee Treadwell expressed her appreciation to Mr. Jain and his team for their diligent work.

## **VI. Other Business**

Trustee Jasper expressed his concern regarding inclusion of Cooperative Extension positions in the CERP. He noted that there were approximately 17 positions approved for reinstatement over a 2-3-year period. The departure of these employees and the extended period of time to refill these positions will have a negative effect on farmers in NH, who rely heavily on the Cooperative Extension. Provost Jones agreed with Trustee Jasper's concern and acknowledged the error and mitigation efforts, noting that there are ongoing efforts to accelerate the reinstatement process. Trustee Eastwood suggested that this topic be added as a formal agenda item for the next Educational Excellence Committee meeting.

This is Trustee Stevens' last Audit Committee meeting, on which he has served for many years. Chair Walker thanked Trustee Stevens for his gracious and wise guidance over the years and expressed appreciation for all of his accomplishments on the committee. He will be missed. Mr. Jain also expressed his appreciation for Trustee Stevens noting that he has been an integral contributor to the committee and USNH. Mr. Jain stated that Trustee Stevens always understood the challenges faced by management and Internal Audit and provided valuable support. Lastly, he stated that the contributions of Trustee Stevens can never be overstated.

Trustee Stevens thanked them for their kind words.

There being no further business, the meeting adjourned at 11:42 a.m.

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