



**AUDIT COMMITTEE**

OCTOBER 20, 2022

PLYMOUTH STATE UNIVERSITY  
PLYMOUTH, NEW HAMPSHIRE

*and*

BY ZOOM MEETING:

[HTTPS://UNH.ZOOM.US/J/96907773132](https://unh.zoom.us/j/96907773132)

**MEETING MINUTES**

*Draft for Approval*

**Committee members physically present:** Chair Gregg Tewksbury, Shawn Jasper, Joel Nkounkou, Peter T. Paul

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

**Other participants participating by videoconference:** (UNH) Tom Nudd

**Other participants participating in person:** (USNH) Kara Bean, Tia Miller, Ashish Jain, Francine Ndayisaba; (KSC) James Beeby; (UNH) Marcel Vernon; (USSB) José Calvo; (CLA) Andy Lee, Luke Winter

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**I. Call to Order**

At 1:00 p.m., Committee Chair Tewksbury called the meeting to order. Chair Tewksbury called the roll and noted the presence of a quorum sufficient for the conduct of business.

**II. Approval of Consent Agenda Items**

Chair Tewksbury asked the committee members if they had any comments or questions about the consent agenda items; there were none. Chair Tewksbury stated that the ERM item originally on the consent agenda will be moved to an item for consideration and discussion. On motion offered by Trustee Jasper and duly seconded, the committee voted to approve the consent agenda.

Items on the consent agenda appear below:

- A. Minutes of June 23, 2022, Meeting
- B. FY22 Financial Statements and Audit Report/Comments for UNH Foundation
- C. Internal Audit Reports Issued
  1. KSC Student Billing Audit Report

2. UNH Dining Cash Handling Audit Report
3. PSU Cash Handling Audit Report

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

- A. Approve FY22 University System of New Hampshire Financial Statements**
- B. Review FY22 Audit Report and Comments from CLA**

Francine Ndayisaba, USNH Director of the Financial Operations Center and Controller, 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 FY18, statements of net position since FY18, and statements of cash flows since FY18.

Financial highlights in FY22 include:

- Positive operating margin of \$31M, which can be attributed to
  - Increase in auxiliary revenue due to return to normal operation for residential campuses
  - Decrease in non-grant compensation expenses as a result of the voluntary separation programs, restructuring initiatives as well as temporary savings associated with COVID and hiring challenges
- Decrease of the market value of total endowments by \$139M over prior year due to market losses (\$90M of the \$139M decrease was unrestricted endowments)
- Decrease of UFR of \$23M over prior year due to investment market losses
- Positive cash flow due in part to capital spending being \$25M lower compared to prior year
- USNH adopted GASB 87 (recording capital leases and rent receivables as assets) and restated FY21 results to reflect the adoption. Note 10 includes a schedule of the changes which were not material to the financial statements.

In response to a question from Mr. Vernon, Ms. Ndayisaba noted that an additional contributor to the positive operating margin was that medical claims were down from previous year.

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

Andy Lee and Luke Winter from CLA presented the audit review.

Mr. Lee briefly reviewed the scope of services 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. The focus will be on research and development, TRIO and HEERF. An update will be provided at the January meeting.

There were no changes to the original audit plan discussed with the committee. New for FY22 is the Statement on Auditing Standards (SAS) 134-141. The financial statements have been formatted

pursuant to these new standards. COVID-19 Relief Funding had an impact on the financial statements and will impact the Single Audit as well. COVID-19 Relief Funding will end this year. USNH spent approximately \$30M of this funding this year.

Audit focus areas included revenues and related receivables, capital projects and debt, and post-employment liabilities and other estimates.

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, CLA found no material weaknesses or significant deficiencies, and there were no compliance matters to report. CLA does not express an opinion on the effectiveness of the System’s internal controls because it is not required under GAAS.

Mr. Winter discussed required governance communications. He reviewed auditor’s responsibility, accounting policies and disclosures, and significant estimates.

Management’s significant accounting policies are described in Note 1 of the financial statements. GASB 87 was implemented. Leases are noted on the balance sheet and notes in the financial statements. A disclosure regarding uncertainties caused by the COVID-19 pandemic is noted in the management discussion and analysis and Footnote 16 of the financial statements.

CLA concluded that management has a reasonable basis for significant judgements and estimates for fair value of investments, pledges receivable, net OPEB liability, compensated absences and other accrued employee benefits, depreciation expense and useful lives of capital assets, and accounts, notes and pledges receivable – allowance for doubtful accounts (mainly student receivables).

There were no corrected misstatements, disagreements with management, and no consultations with other independent accountants. There was one uncorrected misstatement due to investment fair value depreciation which was attributed to the timing of valuation in relation to USNH fiscal year end as well as market volatility. Mr. Winter emphasized that this was not a finding or exception for which there needs to be an adjustment. Chair Tewksbury queried whether USNH should consider adjusting their fiscal year end date. Mr. Winter stated that market volatility was the main contributor to this misstatement. Ms. Ndayisaba noted that USNH has a statutory deadline for their financial statements, and that this misstatement is a rare occurrence.

GASB 94 regarding Public-Private and Public-Public Partnerships and Availability Payment Arrangements and GASB 96 regarding Subscription-Based Information Technology Arrangements are effective in 2023. CLA will work with USNH to implement GASB 94. Most significant is GASB 96 which is similar to GASB 87 in that subscription-based information technology arrangements will be required to be noted as an asset. Effective in 2024 are GASB 100 regarding Accounting Changes and Error Corrections and GASB 101 regarding Compensated Absences. GASB 101 will uniformly define compensated absences and how they are recorded. USNH is likely already in compliance.

In response to a question from Chair Tewksbury, Mr. Lee stated that CLA is monitoring the higher education demographic decline and will note any concerns.

The following motion was made by Trustee Jasper, 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, 2022 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, 2022 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) Update on Information Technology and Security**

Mr. Jain briefly discussed the ERM risks and process.

Tom Nudd, USNH Chief Information Security Officer, discussed Information Technology and Security Risks and related mitigation efforts. Risks include lack of full visibility of digital assets, publicized data breach, IT infrastructure obsolescence, and extended service interruption. Risk mitigation plans have been developed and several initiatives have been implemented or are underway.

In response to a question, Mr. Nudd noted that physical security standards are being developed. Mr. Nudd noted that penetration testing is being performed annually.

##### **B. Review Audit Committee Effectiveness Self-Assessment - follow up from June meeting**

Chair Tewksbury briefly reviewed survey results.

In reviewing the survey results, Mr. Jain encouraged members to provide any comments or suggestions. There were none.

#### **V. Other Business**

After a brief discussion, the committee agreed that a non-public session was not necessary.

In response to a question from Trustee Treadwell, Mr. Jain stated that he feels supported by management and that for the most part people are responsive to auditor's requests.

**VI. Adjournment**

There being no further business, the meeting adjourned at 1:43 p.m.

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