

University of Maine System  
Board of Trustees

Zoom Meeting  
May 14, 2020

## **Audit Committee**

**Present: Committee Members:** James Donnelly; Chair, James Erwin, David MacMahon, Sven Bartholomew, Kelly Martin, Mark Gardner, and Mike Michaud. **Non-Committee/Non-Voting Trustees:** Trevor Hustus. **System Staff:** Ellen Doughty, Tracy Elliott, Ryan Low, James Thelen, Gretchen Catlin, and Darla Reynolds. **Other Participants:** Michael Johns - CLA, Daniel Persaud - CLA, Brenda Scherer - CLA, Janis Elsemore, Ken Ralph, Matt Curtis, and Claire Strickland.

**Committee Members Absent:** none

Trustee Donnelly called the meeting to order and thanked everyone for participating. The Clerk performed a roll call of the Committee members present.

### **Uniform Guidance Audit – Fiscal Year 2019**

UMS Director of Accounting, Ms. Darla Reynolds provided highlights of the Uniform Guidance audit of the University of Maine System for fiscal year ended June 30, 2019. UMS Federal expenditures were \$271 million for FY2019, of which \$200 million was for Student Financial Assistance, and \$48 million was for Research and Development. Total Federal expenditures decreased \$4 million from the prior fiscal year. This net decrease included a \$5 million increase in Research & Development and a \$9 million decrease in Student Financial Assistance (SFA). The decline in SFA was the result of a \$5 million decrease in the Perkins loans outstanding balance and a \$3 million decrease in federal direct student loans.

Ms. Reynolds explained that CliftonLarsonAllen (CLA), the UMS independent auditing firm, is required to express an opinion on the System's compliance with requirements described in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on each of the System's major federal programs for the fiscal year under audit. CLA's opinion on compliance was a favorable (unmodified) opinion. They were not required to give an opinion on internal control; however, internal control was tested in order to express their opinion on compliance with federal requirements. The UMS major programs tested were the Student Financial Assistance Cluster, Cooperative Extension Service, and the Gaining Early Awareness & Readiness for Undergraduate Program (GEARUP). The auditors reported no material weaknesses, however a deficiency was noted that was considered to be significant. The Code of Federal Regulations, 34 CFR 668.25(e) requires that the Eligibility and Certification Approval Report (ECAR) be updated within 10 days for any changes in third-party servicers. During testing for accurate and timely reporting on the ECAR, the auditors noted that UM and UMFK did not list the National Student Clearinghouse (NSC) as a third-party servicer. The auditor's recommendation to mitigate the deficiency is that the University carefully review the ECAR before it is filed to ensure it includes current information and that any changes be filed in a timely manner.

### **CliftonLarsonAllen LLP (CLA) Presentation.**

CLA representatives Michael Johns, Principal; Daniel Persaud, Manager; and Brenda Sherer, Signing Director, presented information about significant areas for the University of Maine

System FY2020 financial statement audit, required communications, Uniform Guidance audits, audit timeline, new accounting pronouncements, emerging issues, and planning questions. CLA highlighted ways in which COVID-19 has and can potentially further impact higher education financials including impacts from investment declines, event cancellations, pandemic planning expenses, and students moving out of dorms. Considerations also include classification on the financials between operating and non-operating categories, financial statement disclosures, and impacts of subsequent events.

CLA went on to discuss new accounting standards including GASB 84, which focuses on fiduciary activities and GASB 87 which focuses on leases. The purpose of GASB 84 is to clarify what constitutes a fiduciary activity for accounting and financial reporting purposes and how they should be reported. It is effective for UMS in FY20 however a current exposure draft would delay implementation by one year. CLA provided a checklist to guide UMS on how to prepare for implementation of GASB 84. GASB 87 requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and establishes a single model for lease accounting. It is effective for UMS for FY21 with a current exposure draft delaying implementation by one year. Retroactive adoption of GASB 87 is required, if practical for all periods presented.

CLA closed with a discussion regarding fraud risk and brainstorming to ensure that they were aware of any concerns that the Committee may have.

#### **UM Department of Athletics Agreed-Upon Procedures Report – FY2019 Overview**

UM Chief Business Officer, Ms. Claire Strickland, provided a brief overview regarding the report on the Agreed-Upon Procedures in Accordance with National Collegiate Athletic Association (NCAA) performed by Certified Public Accountants O'Connor & Drew P.C. The report addressed the evaluation of the Statement of Revenues and Expenditures of the UM Department of Athletics for compliance with specific NCAA Bylaw requirements. The report covers 44 procedures related to program revenues and expenditures. The report is based on the statement for the year ending June 30, 2019, as prepared by UM management. O'Connor & Drew had no material findings to report for the FY2019 UM Department of Athletics Agreed-Upon Procedures Report.

#### **UM Department of Athletics Agreed-Upon Procedures Report – FY2018 Findings Follow-up**

UM Director of Athletics, Mr. Ken Ralph, provided a brief update regarding follow up to the FY2018 UM Department of Athletics Agreed-Upon Procedures Report. Based on the statement for the year ending June 30, 2018, as prepared by UM management, O'Connor & Drew made observations and recommendations including those related to athletic contest ticket testing and reconciliations. Management has since acquired a new ticketing system, which supports electronic receipts, better reporting and reconciliations. O'Connor & Drew also made an observation about student athlete vehicle registrations. UM Athletic management has since implemented a pre-participation checklist that includes vehicle registration and students will not be able to participate in athletics until that paperwork has been returned and checked for accuracy.

#### **Enterprise Risk Management Update.**

UMS Risk Manager, Ms. Gretchen Catlin, provided an update to the Audit Committee regarding implementation of Enterprise Risk Management (ERM). Risk Management previously presented an ERM status update during the October 30, 2019 Audit Committee. Since that meeting, Risk Management has added four risks to the matrix, bringing the total to 19 risks currently being monitored. Each risk has a designated Trustee Committee of oversight, as suggested by Trustees.

Ms. Catlin reviewed the status of the risks that have been assigned to the Board of Trustees Audit Committee for oversight.

**Executive Session**

On a motion by Trustee Martin, which was seconded by Trustee Michaud, and approved by a roll call vote of all Trustees present, the Audit Committee agreed to go into Executive Session under the provisions of:

- 1 MRSA Section 405 6-A to discuss the evaluation of personnel and the consideration and discussion of appointments, evaluations, employment and duties.
- 1 MRSA Section 405 6-E to consult with its attorney concerning legal rights and duties of the university.

On a motion by Trustee Erwin, which was seconded by Trustee Gardner, and approved by a roll call vote of all Trustees present, the Audit Committee concluded the Executive Session.

Additional information on the meeting can be found on the Board of Trustees website:  
<https://www.maine.edu/board-of-trustees/wp-content/uploads/sites/12/2020/05/MtgMat-AUD-051420.pdf>

Adjournment.

Heather A. Massey for  
Ellen N. Doughty, Clerk