

University of Maine System  
Board of Trustees

Zoom Meeting  
May 17, 2021

### **Audit Committee**

**Present: Committee Members:** David MacMahon, Chair; James Erwin, Sven Bartholomew, James Donnelly, Kelly Martin, Mark Gardner, and Mike Michaud. **Other Trustees:** Irene Neal. **System Staff:** Ellen Doughty, Tracy Elliott, Ryan Low, Laurel Hyle and Darla Reynolds. **Other Participants:** Michael Johns - CLA, Daniel Persaud - CLA, Brenda Scherer - CLA, Janis Elsemore, Ken Ralph, Joanne Yestranski and Matt Curtis.

**Committee Members Absent:** Emily Cain.

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

#### **Audit Presentation**

CliftonLarsonAllen (CLA) Principals Michael Johns and Daniel Persaud reviewed the Audit Presentation. Discussion items included Higher Education Industry Trends; Professional Services Team, Scope, and Deliverables; Audit Plan Overview; and Audit Committee Input.

The federal COVID-19 relief programs - Higher Education Emergency Relief Fund (HEERF) I, II, and III - impact on the audit was discussed. CLA outlined the new accounting standards which include Governmental Accounting Standards Board (GASB) Statement No. 84 – Fiduciary Activities and GASB Statement No. 87 – Leases. GASB 84 will be effective for the year ending June 30, 2021 and requires fiduciary activities to be presented in a separate fiduciary fund in the basic financial statements. GASB 87, effective for the year ending June 30, 2022, replaces operating and capital lease categories with a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

Brenda Scherer, CLA Signing Director, highlighted the fiscal year 2020 Single Audit (i.e., Uniform Guidance Audit) which included review of the student financial assistance cluster, CARES Act funds and the research and development cluster. Approximately \$280 million in federal expenditures were reviewed which included \$187 million in student financial aid, \$52 million in research and development, \$15 million in CARES Act funds, and \$26 million in other awards. The Single Audit timing was later than usual as the auditors needed to wait for audit guidance which came on December 23, 2020 when the Compliance Supplement Addendum was released by the US Department of Education. Due to the late issuance of this guidance for the COVID-19 programs, the Office of Management and Budget provided a three-month audit submission extension.

Like the financial statement audit, the Single Audit was conducted remotely and the report is almost ready to be issued. A clean opinion is anticipated with the report including several findings that were considered significant deficiencies in internal control over compliance but not material weaknesses. Based on sample testing, findings were noted in the following areas:

- Timeliness of Pell disbursement reporting at UMA.
- The Perkins Loan Servicer contract did not include required language for Third-Party Eligibility Compliance.
- Timeliness and accuracy of dates related to UMF student eligibility reporting to the National Student Loan Database (NSLDS).
- Uncashed checks that had not been returned to the Department of Education within the required 240 days. UMS has since returned the funds to the Department of Education but not within the required timeframe.
- UM had assets that were no longer in use due to inaccessibility or damage and should have been classified as disposed. It was also noted there is no documented review process for physical inventory over federally funded equipment.

Ms. Scherer does not anticipate any program reviews as a result of these findings. CLA also outlined a few observations to management that did not rise to the level of a finding. These include:

- Recommending that UMS document their reviews. They are working with management on this documentation.
- UMS has a current policy that student attendance is reviewed at the end of the term for distance education courses. Because distance education courses have been expanded, CLA is recommending that attendance be reviewed at the beginning of the term.
- Recommending that UMS have consist NSLDS reporting dates among departments.
- Recommending UMS develop a process to document disposal of federally funded equipment to remove the equipment from the inventory.

Mr. Persaud reviewed the timeline for the FY2021 audit. CLA will utilize a collaborative approach, which includes seeking input from management and the Board of Trustees Audit Committee, to develop an audit plan that focuses on areas of risk and areas of significance to stakeholders of the System. The Preliminary Procedures will take place from May to July followed by the Substantive Work in September and the final reporting by the October 31<sup>st</sup> deadline. Any items of significance, warranting communication with the Audit Committee, that arise throughout the audit process will be promptly communicated. If the Audit Committee does not hear from CLA prior to the final audit presentation in October, everything went as planned.

CLA asked the Audit Committee members if there are any areas of audit emphasis relating to the 2021 financial results that they would suggest. Trustee Gardner suggested an area of emphasis could be the substantial amount of federal relief funds as well as a large donation for the Harold Alfond Foundation. He asked if the audit is looking at these areas enough. CLA will review the protocols and internal controls currently in place for gifts/grants as well as federal funds. Trustee Bartholomew asked if there was an internal control or audit of paper transactions that transitioned to digital due to the pandemic. Mr. Johns responded by stating that CLA has IT specialists involved to look at the computer control structure as it would impact the financial cycles. There were not significant changes due to the pandemic other than changing from a manual signature to an electronic signature. This is an area that CLA will review and tailor the audit accordingly.

**UM Department of Athletics Agreed-Upon Procedures (AUP) Report FY2020 Overview**  
UM Director of Athletics Ken Ralph provided a brief overview regarding the Department of Athletics Agreed-Upon Procedures Report for Academic Year 2020-2021, performed by

O'Connor & Drew. The report noted no findings and one recommendation. The recommendation was for the Financial Aid Office to inform the Athletic Business Office of any adjustments pertaining to athletic aid made subsequent to the close of the fiscal year. The Associate Athletic Director for Business should ensure that the adjustment is included in the Statement in the correct fiscal year. Management agreed with the recommendation. The Athletic Business Office will communicate clearly with the Financial Aid Office to ensure that any adjustments made close to year end are reflected within the correct fiscal year reporting statement.

### **Executive Session**

On a motion by Trustee Michaud, which was seconded by Trustee Donnelly, 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. And
- 1 MRSA Section 405 6-E to consult with its attorney concerning legal rights and duties of the university.

On a motion by Trustee Michaud 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/meeting-agendas-materials/audit-committee/>

Adjournment.

Ellen N. Doughty, Clerk