University of Maine System
Board of Trustees

Zoom Meeting
May 7, 2026

Audit Committee

Present: Committee Members: Mike Michaud, Chair; Kelly Martin & David MacMahon **Chancellor:** Dannel Malloy. **Presidents:** Joan Ferrini-Mundy. **System Staff:** Caroyln Dorsey, Ryan Low, Tracy Elliott, Amon Purinton, Carolyn Dorsey, Ryan Low, Darla Reynolds, Elizabeth Stickler, Lesley Badger, Jenise Soucy, Robert Placido, John Forker, Nathan Anaya, Gretchen Catlin, Steve Jenson, Sam Warren & Elizabeth Stickler **Other Participants:** Jenny Boyden, Brenda Scherer, CLA, Michael Johns, CLA.

Committee Members Absent: Lisa Eames, Trish Riley, William Kemler.

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

UM Department of Athletics Agreed-Upon Procedures Report – FY2025

The fiscal year 2025 NCAA audit for the University of Maine Department of Athletics was conducted by Witham, Smith, and Brown, and the examination concluded with no findings. Jenise Soucey briefly addressed the audit results and offered her availability for any further queries. Several committee members asked questions pertaining to this audit and future planning, however Ms. Soucey cited that answers she could provide only pertained to this particular report and was unable to answer any further questions.

CliftonLarsonAllen LLP (CLA) – 2025 Single Audit Results and 2026 Audit Planning

2025 Single Audit Results

The results of the 2025 single audit, conducted by Clifton, Larson, Allen (CLA), were presented to the committee. The audit focused on major federal programs meeting the $3 million threshold, which included the Student Financial Assistance Cluster, Gaining Early Awareness and Readiness for Undergraduate Programs, and Congressional Directive. CLA issued an unmodified opinion on compliance, providing the highest level of assurance regarding material accuracy. However, significant deficiencies were noted, including enrollment reporting discrepancies in Student Financial Aid, over-awarded Pell Grants, and a $420 expense coding error in the Congressional Directive program. In response, UMA has enhanced its review processes for coding errors, implemented dual-review reconciliations, and is developing a training program for grant staff. Additionally, the committee discussed the underutilization of approximately $91,000 in federal work-study funds, noting that continued underutilization could jeopardize future allocations, though transferring unspent funds to other programs remain a viable mitigation strategy. Corrective action plans will be reviewed during the next audit cycle to ensure implementation.

2026 Financial Statement Audit Kickoff

The committee announced the kickoff for the 2026 financial statement audit, with CLA engaged to audit the fiscal year ending June 30, 2026. The presentation outlined management's responsibility for maintaining internal controls and closing the books, while CLA will conduct tests to express an opinion on the financial statements. The audit timeline aims for an October completion, with preliminary procedures beginning in June and July, and significant testing scheduled for September and early October. CLA will employ a risk-based audit approach, focusing on areas susceptible to error or fraud, such as revenue recognition and management override of controls. Control risk will be assessed through walkthroughs and tests in revenue, payroll, and general disbursements. The foundation, a component unit, will be audited by other auditors, with CLA referencing their work and communicating risks to ensure standards are met. Governance members were encouraged to report any concern regarding the financial reports.

Impact of New Financial Reporting Standards and Regulations
The meeting addressed the implementation of new financial reporting standards and regulatory changes. Discussions highlighted updates to management's discussion and analysis (MDNA) to enhance informative content, as well as a new financial statement classification for subsidies, which is currently in draft form and may alter the classification of research grants and contributions. Additionally, GASB 104 mandates more detailed disclosures regarding capital assets, intangible assets, leases, and subscription-based IT arrangements. The committee also reviewed changes in financial aid regulations affecting Pell Grants and student loan programs, including new borrowing caps and eligibility restrictions. A recent executive order regarding discretionary grants was discussed, noting provisions that make them cancelable for convenience and restrict their use for facilities or administrative expenses, alongside new IPEDS reporting requirements for student demographic data. The impact of these changes on institutions' financial and operational dynamics is currently being assessed.

Non-Financial Compliance in Grants
A committee member raised inquiries regarding the reporting of non-financial compliance violations, such as breaches of non-monetary covenants in grant agreements. Mike Johns clarified that non-financial compliance issues, including subrecipient monitoring and equipment management, can be reportable findings in a single audit regardless of monetary value. However, he emphasized that in a financial statement audit, only material non-compliance affecting the financial statements is reported. The discussion further clarified that non-compliance with private grant agreements is generally not disclosed in federal audits unless it constitutes a material weakness in internal controls. An anecdote was shared illustrating how fraud in private grants led to media exposure and federal scrutiny over internal controls, though it did not impact the institution's single audit or financial statements.

UMS Enterprise Risk Management

Enterprise Risk Management Overview
Nate Anaya, Director of Risk and Safety Management for the University of Maine System, presented a comprehensive overview of the University's current risk landscape and ongoing enterprise risk management efforts. The risk register identifies system-wide risks, assigns management ownership, scores each risk based on severity and probability, and summarizes existing control strategies. The University's overall risk profile was assessed as moderate but manageable, with deferred maintenance, cybersecurity, and compliance identified as the most significant risks. The risk scoring model evaluates severity on a scale from under $1 million to over $50 million, and probability from improbable to probable on an annual basis. The highest-rated operational risk (R20), deferred maintenance and long-term capital deficits, received a score of 16 and was identified as the most critical area requiring immediate attention due to its probable occurrence and significant impact. Data breach and foreign influence risks each scored 9, with R4 also flagged as a top-tier technology resilience concern. Strategies to address the primary strategic risks include strategic planning, communications, enrollment diversification,

and student success programming. It was noted that most risks have multiple control strategies in place, reflecting a robust control environment, though continuous improvement remains a priority. Management will be expected to provide periodic updates on the highest-tier risks, including current scores, progress, and barriers to reduction, with quarterly reporting by risk owners to ensure risk management remains a sustained institutional priority. Additionally, a new emergency preparedness and planning manager position has been established to strengthen emergency management programs, and risk and safety management intends to expand facility inspection, program audit activities, and post-injury investigations to support proactive injury prevention.

Federal Funding Uncertainty and Workers' Compensation
A committee member raised a question regarding how federal funding uncertainty is reflected in the current risk register and whether its representation remains adequate in light of recent developments in Washington. The discussion confirmed that ongoing evaluations of potential impacts from federal changes are being conducted, with updates made to the risk register as needed to accurately reflect emerging risks. The committee also discussed the University's workers' compensation mod ratio, which had decreased from 0.82 to 0.79, a level considered a healthy program indicator. Efforts contributing to this reduction include OSHA training, facility inspections and audits, collaboration with Human Resources on employee information, and post-injury investigations aimed at preventing recurrences. The committee acknowledged and commended the team for maintaining a mod ratio below 1.0, which results in lower insurance premiums and reflects the team's sustained commitment to workplace safety. Nate Anaya committed to providing Trustee McMahon with the exact workers' compensation mod ratio figure following the meeting.

Executive Session
On a motion by Trustee Martin, which was seconded by Trustee MacMahon, the Audit Committee went into Executive Session under the following provisions:

- 1 MRSA Section 405 6-A to discuss the evaluation of personnel and the consideration and discussion of appointments, evaluations, employment, and duties.

On a motion by Trustee Martin, which was seconded by Trustee MacMahon, the 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.

Kayla Flewelling for
Elizabeth Stickler, Clerk