

University of Maine System  
Board of Trustees  
at the University Maine System, Rudman Board Room

May 16, 2016

## Audit Committee

**Present: Committee Members:** Michelle Hood, Chair, Sarah Newell, and Samuel Collins (by phone). **Other Trustees:** Norman Fournier. **System Staff:** Tracy Bigney, Tracy Elliott, Darla Reynolds, Ryan Low and Rebecca Wyke (by phone). **Presidents:** John Short (at UMFK). **Other Participants:** John Murphy (at UMFK), Renee Bishop (BerryDunn), Emily Parker (BerryDunn), and Claire Strickland.

**Committee Members Absent:** Mark Gardner and Gregory Johnson

Trustee Hood called the meeting to order and thanked everyone for participating.

**OMB Circular A-133 Audit – Fiscal Year 2015.** Ms. Renee Bishop, Principal, and Ms. Emily Parker, Manager, with Berry Dunn McNeil and Parker LLC (BDMP) presented the highlights of the OMB Circular A-133 audit of the University of Maine System for fiscal year ended June 30, 2015.

The University of Maine System Federal expenditures were \$269 million for fiscal year 2015, of which \$194 million was for Student Financial Assistance. The total federal expenditures decreased by \$18.5 million from the prior fiscal year. The decrease from FY2014 to FY2015 is primarily the result of the following:

- \$9.5 million decline in Student Financial Assistance funds including a decline in direct lending of \$7.5 million
- \$2.5 million decrease in funding related to prior year Biomass project
- \$3.0 million decline in Department of Health and Human Services grants
- \$4.2 million decrease in Department of Energy funds
- \$1.3 million decrease in National Science Foundation grants
- Above reductions offset by increase in Department of Commerce funding of \$2.3 million

BDMP's audit opinion on compliance was favorable (unmodified) and no material weaknesses were identified.

Major programs tested in FY2015 were the Student Financial Assistance Cluster and the TRIO Cluster.

**BerryDunn – Audit Committee Presentation.** Ms. Bishop and Ms. Parker discussed the Audit Committee Presentation. Discussion included required communications, significant areas for the University of Maine System FY2016 financial statement and Uniform Guidance audits, timeline, emerging accounting issues and planning questions. On-site fieldwork will be at USM, UM, UMPI and UMFK.

BDMP reviewed new pronouncements and other emerging items that might be pertinent to UMS are as follows:

New and Upcoming Governmental Accounting Standards Board (GASB) Pronouncements  
GASB 72 – *Fair Value Measurement and Application* (effective June 30, 2016)

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

**GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (effective June 30, 2018)**

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). GASB 75 also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

Trustee Fournier asked about the expected impacts of GASB 75 to the UMS financials as they promise to be significant. Tracy Elliott, UMS Director of Finance and Controller, stated that:

- As of July 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$197 million and the actuarial value of assets was \$94 million, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of \$103 million or a funded ratio of 48%.
- GASB 75 requires the recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense.
- Given that UMS has a Trust, the net liability of about \$100 million could be recognized in the *Statement of Net Position* (depending on actuarial assumptions and other factors at the time of calculation).
- These accounting changes will be applied retroactively by restating FY2017 financial statements including the beginning net position for FY2017 to reduce unrestricted net position by the net liability currently estimated to be around \$100 million.
- Staff will work with the actuaries to analyze the expected impacts of this new GASB including developing a funding strategy.

**GASB 81 – Irrevocable Split-Interest Agreements (effective June 30, 2018)**

This Statement addresses situations in which the government or a third party serves as the intermediary for an irrevocable split-interest agreement. Statement No. 81 also provides guidance for agreements in which the government may have a lead interest or remainder interest in receiving benefits.

Other Active Projects

- Accounting for Leases
- Fiduciary Activities
- Asset Retirement Obligations
- Notice of Proposed Rulemaking: Overtime

**UM Department of Athletics Agreed-Upon Procedures Update.** Ms. Claire Strickland, Chief Business Officer at the University of Maine, provided a brief overview regarding the following two reports on Agreed-Upon Procedures performed by O'Connor & Drew.

*Agreed-Upon Procedures in Accordance with National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.16.1 for the year ended June 30, 2015*

This report addresses evaluation of the Statement of Revenues and Expenditures of the UM Department of Athletics for compliance with specific NCAA Bylaw requirements. Two items were noted in the report. The first was regarding ticket sales at the Cross Center. The Cross Center provided the University with a ticket sales report that provided the total revenue reimbursed to the University by month without detail by game. UM has addressed this issue with the Cross Center and the information is now being provided.

The second issue was the calculation of sales tax for the Bear Necessities athletic store. It was suggested that the University review its process to ensure it is conforming with state regulations. UM has addressed this issue.

*Agreed-Upon Procedures Report Pursuant to the Association of College & University Auditors (ACUA) NCAA Division I Compliance Audit Guide for Academic Year 2014-2015*

This report presents procedures and results, the purpose of which is to assist the University in evaluating management's assertions about the University's compliance with requirements related to the following sections of the ACUA NCAA Compliance Guide:

- Governance and Organization
- Recruiting Off-Campus
- Recruiting On-Campus
- Investigations and Self-Reporting
- Extra Benefits – Student-Athlete Vehicles
- Extra Benefits – Team Travel

The report included one finding and recommendation that UM review its policies and procedures to ensure that prospect transfer student-athletes are not contacted prior to obtaining permission to contact from their current institution, as well as ensuring that initial contact dates for transfer student-athletes prospects are documented properly. UM is currently in the process of reviewing all policies and procedures related to NCAA and institutional compliance. As part of the review process, they will address and formulate a clear procedure for attaining written permission to contact.

The report also included two general recommendations. The first recommendation relates to an off-campus recruiting trip where a coach did not complete a travel advance request form as required by University policies. The University and Athletic Department are now using Concur, a web based travel and expense software system, which will address this concern.

The other observation related to on-campus recruiting and a visit summary form that was not completed with the details of whom the meal and entertainment were provided for, which is a violation of University policies. The University has implemented a standard form that is to be completed, signed and submitted with the official visit summary. Coaching staff members have also received education regarding the need to accurately complete all necessary paperwork for official visits.

Adjournment.

Ellen Doughty for  
Tracy B. Bigney, Clerk of the Board