

University of Maine System  
Board of Trustees  
Rudman Conference Room, 253 Estabrooke Hall, Orono  
May 29, 2019

## **Audit Committee**

**Present: Committee Members:** Kelly Martin, Chair Pro-tem, David MacMahon, Norman Fournier (at UMFK), Mark Gardner (by phone), and Karl Turner (at USM). **System Staff:** Ellen Doughty, Tracy Elliott, Ryan Low (at UMA), Chip Gavin (at USM), Gretchen Catlin, and Darla Reynolds. **Other Participants:** Michael Johns -CLA, Daniel Persaud -CLA, and Claire Strickland.

**Committee Members Absent:** James Erwin, James Donnelly, and Michelle Hood.

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

### **Uniform Guidance Audit – Fiscal Year 2018**

Ms. Tracy Elliott, UMS Vice President of Finance and Controller, provided highlights of the Uniform Guidance audit of the University of Maine System for fiscal year ended June 30, 2018. UMS Federal expenditures were \$275 million for FY18, of which \$209 million (or 76%) was for Student Financial Assistance, and \$42.6 million (or 16%) was for Research and Development. Total Federal expenditures increased \$28 million (or 11%) from the prior fiscal year, which was primarily due to a change in how UMS must report Perkins and Nursing loans. FY18 expenditures included loans outstanding at the beginning of the year plus current year advances whereas FY2017 expenditures included only current year advances.

The Independent Auditor's report on Compliance for Each Major Federal program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards as Required by the Uniform Guidance was presented to the Committee. Ms. Elliott noted that BerryDunn provided a favorable (unmodified) opinion and the major programs tested were the Student Financial Assistance Cluster and the TRIO Cluster. The auditors reported no material weaknesses; however, a deficiency was noted that was considered to be significant. As part of the independent auditor's testing of Pell Grant disbursements, they tested the requirement to report payment data to Common Origination and Disbursement (COD) within the 15 day requirement. Of the 18 total Pell students selected for testing, 8 students were selected at UMF. Of the 8 students, 1 had a disbursement reported with an effective date in advance of the actual disbursement and 7 had disbursements for the Fall semester that were not reported to COD within 15 days after the disbursement. The COD reporting for these 7 students was completed within 18 days of the disbursement. The cause for the deficiency was due to an extended staff vacancy, coupled with the volume of activity at the start of the semester; therefore, the COD reporting for Pell Grant disbursements was delayed by 3 days on the initial report for the Fall semester. There were no questioned costs related to the finding. UMF has since taken corrective action by reinforcing the importance of the 15 day rule and filling a vacancy.

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

CLA representatives Michael Johns, Principal, and Daniel Persaud, Manager, presented information about significant areas for the University of Maine System FY2019 financial statement audit, required communications, Uniform Guidance audits, audit timeline, new

accounting pronouncements, emerging issues, and planning questions. The new accounting standards include Asset Retirement Obligations effective FY19, Fiduciary Activities effective FY20, and Leases which is effective FY21. The auditors also noted that Moody's considers higher education in general to have an overall negative outlook as increasing expenses are outpacing constrained revenue for most institutions. Private institutions are faring better than publics for 2019 with 60% projecting revenue growth of 3%. The auditors further highlighted the Graham-Leach-Bliley Act (GLBA) noting that they expect to incorporate testing of information security measures into the audit process as the Department of Education will be adding GLBA testing requirements to the Compliance Supplement.

**UM Department of Athletics Agreed-Upon Procedures Update.** 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 and is based on the statement for the year ending June 30, 2018, as prepared by UM management. O'Connor & Drew made one observation and recommendation related to issues with selected athletic contest ticket testing and reconciliations. Management has since acquired a new ticketing system which supports better reporting, and reconciliations are being performed.

**Enterprise Risk Management Update.**

UMS Chief General Services Officer, Mr. Chip Gavin, and UMS Risk Manager, Ms. Gretchen Catlin, provided an update regarding the implementation of the Enterprise Risk Management reporting initiative. The Audit Committee was previously briefed on this initiative at its October 29, 2018 meeting. An updated version of the prior material was presented for review. Additionally, Ms. Catlin provided a brief overview of the program and highlighted the revised implementation timeline.

Additional information on the meeting can be found on the Board of Trustees website:  
<http://staticweb.maine.edu/wp-content/uploads/2019/05/MtgMat-Audit-052919.pdf?0d0f03>

Adjournment.

Heather A. Massey for  
Ellen N. Doughty, Clerk