



AUDIT COMMITTEE
OCTOBER 19, 2023

PLYMOUTH STATE UNIVERSITY
PLYMOUTH, NEW HAMPSHIRE

MEETING MINUTES

Committee members physically present: Chair Gregg Tewksbury, M. Jacqueline Eastwood, Shawn Jasper, Peter T. Paul, Mackenzie Murphy

Other participants participating by videoconference: (UNH) Vidya Sundar

Other participants participating in person: (USNH) Kara Bean, Ashish Jain, Christine Heise; (UNH) Bob Brown; (CLA) Andy Lee, Luke Winter

I. Call to Order

At 12:35 p.m., Committee Chair Tewksbury called the meeting to order. Chair Tewksbury called the roll and noted the presence of a quorum sufficient for the conduct of business.

II. Approval of Consent Agenda Items

Chair Tewksbury asked the committee members if they had any comments or questions about the consent agenda items; there were none.

Items on the consent agenda appear below:

- A. Minutes of June 22, 2023, Meeting
- B. FY23 Financial Statements and Audit Report/Comments for UNH Foundation
- C. Enterprise Risk Management (ERM) Update on Information Technology and Cybersecurity
- D. Internal Audit Reports Issued
 - 1. UNH-Law Financial Aid Data Security Review Report
 - 2. UNH Graduate School Data Security Review Report

III. Items for Committee Consideration and Action

- A. Approve FY23 University System of New Hampshire Financial Statements
- B. Review FY23 Audit Report and Comments from CLA

Christine Heise, Assistant Director, Controller and Financial Operations noted that the audit went well and there were no concerns. She discussed financial highlights including statements of revenues, expenses, and changes in net position since FY19, statements of net position since FY19, and statements of cash flows since FY19. In response to a question, Mr. Lee informed the committee that Keene Endowment Association is covered within the scope of the USNH Financial Statement audit.

USNH had a positive operating margin of \$30M which can be attributed to an increase in auxiliary revenue primarily due to a return to normal operations for the residential campuses; increase in short term investment gains due to positive market performance; one-time FEMA/COVID relief grants of \$50M in current year (recovery of prior years expenses) which will be non-recurring in future years, offset by an increase in non-grant compensation expenses due to salary increases (2-6%), higher trending medical claims, and filling of vacant positions. There was an increase in market value of total endowments by \$50M over prior year due to market gains. Bonds were issued in the amount of \$115M (from variable to fixed rate) to restructure debt and fund a residence hall renovation. Due primarily to investment gains, there was an increase of UFR of \$30M over prior year. Negative cash flow occurred primarily due to increase in construction spend and investment in capital projects. USNH adopted GASB 96 Subscription-Based Information Technology Arrangements effective for FY23 and did not restate FY22 results due to immateriality.

Chair Tewksbury expressed his appreciation for the work of Ms. Heise and her team.

Andy Lee and Luke Winter from CLA presented the audit review and noted that the audit team has remained the same for the last four years.

Mr. Lee briefly reviewed the scope of services and stated that the USNH Financial Statement audit resulted in an unmodified opinion (“clean opinion”) on the financial statements, noting his appreciation to the USNH Accounting Team. In response to a question from Chair Tewksbury, Ms. Heise and Mr. Lee noted that bad debt is discussed in Note 3 of the financial statements.

CLA concluded that management has a reasonable basis for significant judgements and estimates for fair value of investments, pledges receivable, net OPEB liability, compensated absences and other accrued employee benefits, depreciation expense and useful lives of capital assets, and accounts, notes and pledges receivable – allowance for doubtful accounts.

There were no corrected misstatements, disagreements with management, and no consultations with other independent accountants.

There were 2 uncorrected prior year misstatements – one regarding GASB 96 Subscription-Based Information Technology Arrangements and one regarding GASB 87 Leases. The net impact was minimal.

The Uniform Guidance Audit is in progress. The focus will be on research and development, FEMA and HEERF. Testing is underway and on track to be substantially complete by the end of the year. There are no findings to date. The Uniform Guidance Audit will be discussed at the March 2024 meeting.

Lastly, Mr. Lee and Mr. Winter discussed emerging issues in higher education, noting that CLA is holding a free higher education virtual conference in February. Mr. Jain will send a reminder to committee members.

In response to a question from Chair Tewksbury, Mr. Lee noted that CLA performs audit procedures to cover risks of cyberattacks and ransomware. USNH IT performs penetration testing periodically. Mr. Jain pointed out that Vulnerability Management Audit is included in the 2024 internal audit plan.

The following motion was made by Chair Tewksbury, duly seconded, discussed, and approved with no votes abstained or dissenting.

***VOTED**, on recommendation of the Chief Administrative Officer, that the USNH Financial Statements for the fiscal year ended June 30, 2023 be approved and forwarded to the Board of Trustees with the following recommended action: **MOVED**, on recommendation of the Audit Committee, that the USNH Financial Statements for the fiscal year ended June 30, 2023 be accepted and forwarded to the Governor, the Legislative Fiscal Committee, and others as specified in state law RSA 187-A:22.*

C. Approve Short-term Internal Audit Plan (October 2023-June 2024)/Review Internal Audit's Report for the period of January 2023-September 2023

Mr. Jain explained that due to the revised meeting schedule, the internal audit plan will move from a calendar-year basis to a fiscal-year basis. In the interim, a short-term report and plan have been developed.

Mr. Jain reviewed the internal audit plan and discussed department resources, audits, activities, advisory reports and services, organization of the department, budget, staff profiles, planned versus actual activities, and current year initiatives. A Senior Internal Auditor position is currently posted. The department has recently hired an IT Audit Manager.

In response to questions from Trustees, Mr. Jain will include information in next year's report regarding benchmarking of hotline and potential fraud activity.

The following motion was made by Chair Tewksbury, duly seconded, discussed, and approved with no votes abstained or dissenting.

***VOTED**, on recommendation of the Chief Administrative Officer, that the proposed Short-term Internal Audit Plan (October 2023-June 2024) be approved.*

IV. Items for Committee Consideration and Discussion

A. Status of Outstanding Audit Issues

Mr. Jain shared the status of all significant open audit issues from the past internal audit reports. Follow-up on long outstanding audit issues will be an initiative of the Internal Audit Department this upcoming year. Progress is being made on outstanding audit issues.

V. Other Business

None.

VI. Adjournment

There being no further business, the meeting adjourned at 1:34 p.m.

-- End of Audit Committee Meeting Minutes --