

University of Central Missouri
Board of Governors
Finance & Administration Committee of the Whole
October 25, 2013

The University of Central Missouri (UCM) Board of Governors Finance and Administration Committee convened as a Committee of the Whole on UCM's main campus in Warrensburg, Missouri on Friday, October 25, 2013, at 9:10 a.m. In attendance were Board President Marvin E. Wright and Governors Gus Wetzel II, Mary Long, Weldon Brady, Walter Hicklin, John Collier, Mary Dandurand, and Kyle Shell. Also present were University President Charles Ambrose; General Counsel Henry Setser; Assistant Secretary to the Board Monica Huffman; Vice President for Finance John Merrigan; and staff members Susan Brockhaus, Toni Kreke, Rod Williams, Dorothy Salsman, Angela Karlin, and Sharon Brinton; and Kaleb Lilly of RubinBrown, the University's external audit firm.

Call to Order

Mr. Wright called the meeting to order and determined a quorum was present to conduct business. He called on Mr. John Merrigan who introduced members of the Finance Division staff and then Mr. Kaleb Lilly, partner of Rubin Brown, who was in attendance to present the audit results.

Mr. Lilly distributed and reviewed the contents of a document titled "ViewPoints," (See Attachment 5 of the October 25, 2013, Plenary Session Minutes for *ViewPoints* and the audit) which introduced the firm's engagement team, auditor communications, opportunities for improvement, new accounting pronouncements and developments, and the independent auditors' report on additional information. ViewPoints also offered conclusive information of:

- An unmodified (clean) opinion on the University's financial statements for the year ended June 30, 2013;
- A report on compliance and on internal control over financial reporting based on an audit of the financial statement in accordance with *Government Auditing Standards*; and
- An unqualified (clean) opinion on compliance and a report on internal controls over federal financial assistance in accordance with OMB Circular A-133.

Following discussion with the Board related to GASB Statement No. 68, Accounting and Financial Reporting Pensions, Mr. Lilly reviewed the Management Letter and defined "deficiency" and "significant deficiency." He then reviewed significant deficiencies identified in the audit and Management's Response (see pages 2-5 of the Management Letter), noting that other matters involving internal controls that were not considered to be material weaknesses or significant deficiencies, were communicated separately.

With regard to Finding No. 2013-9, which states adjustments were not made for *Cost of Attendance for students enrolled less than full-time to reflect the student's academic year workload, which could cause students to be overawarded*, Mr. Lilly stated that RubinBrown was privy to the Department of Education (DOE) Audit documents. Because the Department of Education is an outside regulatory body, RubinBrown is required to repeat DOE's audit finding in its own audit report. Some of the findings noted in RubinBrown's audit match those found in DOE's because they exist in the same audit year. President Ambrose said that UCM relies on our auditors to help identify and address such matters. If a finding is stated in the audit, increased sensitivity is required to ensure compliance. Mr. Lilly agreed and said that anytime a federal entity reports findings, RubinBrown is required to read the reports, understand the finding(s), and then tailor its audit process to identify if the issue(s) still exists. Mr. Setser asked if this is specific to UCM audits, or if it includes other institutional audits as well. Mr. Lilly said the firm always tries to take past knowledge from any of its clients and apply in conducting audits for other clients. President Ambrose said he wants to ensure that due diligence is utilized for both large and small items to avoid having them escalate into even bigger matters. For the 2013 audit, Rubin Brown selected a sample and tested UCM's cost of attendance records and detected an exception.

President Ambrose also said he wants to ensure there is a communication stream in place to ensure the University is correcting any findings. Mr. Lilly said that part of the process of meeting with the Board in advance of the start of the audit is to learn about those things that are important to them. Mr. Lilly noted that Rubin Brown was recently reviewed by the Department of Education. The DOE specifically reviewed Rubin Brown's audit of UCM's Financial Aid. The review took place about three weeks before the government shut down and to date RubinBrown has not received a follow-up response from the DOE. During the DOE's exit interview with Rubin Brown, the DOE did not request additional information over and above that was already documented in Rubin Brown's audit workpapers related to UCM. Once RubinBrown receives the audit report, Mr. Lilly will share it with the University. He added that the firm is regularly reviewed by the Department of Labor, Department of Education, Department of Transportation and other federal agencies. All audits have resulted in clean reports.

Mr. Brady inquired about GASB 68 "Reporting of Unfunded Pension Liabilities". Mr. Lilly responded the MOSER's actuarial staff has not computed the calculations to report each state entities share of the MOSER's unfunded liability balance. Each state entity's % share of the unfunded MOSER's liability will need to be reported on each entity's balance sheet as of June 30, 2015. UCM will be required to report its share of the unfunded liability as of June 30, 2015. Mr. Merrigan stated that UCM has historically paid 100% of its required employer MOSER's contribution.

Mr. Wright asked how the University's financial performance compares to peer institutions. Mr. Lilley stated that although there are some limitations due to staff size, UCM does a great job in preparing for audits. The University closes its books more quickly and more accurately than other institutions the firm works with. In closing President Ambrose commended the good work of the Finance staff.

Other – Agenda Item No. 2

There being no further business to discuss, the meeting concluded at 10:10 a.m.