The meeting was called to order by Chairperson William C. Thompson, Jr. at 4:05 p.m.

The following people were present:

**Committee Members:**
Hon. William C. Thompson, Jr.
Hon. Lorraine A. Cortés-Vázquez (joined @ 4:20 p.m.)
Hon. Judah Gribetz
Prof. Kay Conway, faculty member
Ms. Shaina Yasin, student member

**Observer:**
Hon. Chika Onyejiukwa (joined @ 4:57 p.m.)

**Trustee Staff:**
Senior Advisor to the Chancellor and Secretary of the Board Gayle M. Horwitz
Interim General Counsel and Vice Chancellor Jane Sovern
Deputy to the Secretary Hourig Messerlian
Ms. Towanda Lewis

**University Staff:**
Chancellor James B. Milliken (joined @ 5:16 p.m.)
Senior Vice Chancellor and Chief Financial Officer Matthew Sapienza
Senior Advisor Marc V. Shaw
Vice Chancellor Brian Cohen
Deputy Chief Financial Officer Christina Chiappa
University Executive Director of Internal Audit and Management Services Gordon Taylor (joined @ 5:16 p.m.)
Director of Financial Reporting and Analysis Kenneth Tirino

The agenda items were considered in the following order:

I. **ACTION ITEMS:**

A. **APPROVAL OF THE MINUTES OF THE SUBCOMMITTEE ON AUDIT MEETING OF NOVEMBER 7, 2016.** Moved by Chairperson Thompson and seconded by University Faculty Senate (UFS) Chair and Trustee Kay Conway, the minutes were approved as submitted.

B. **POLICY CALENDAR**

   1. **The City University of New York – Approval of the FY2016 Uniform Guidance Report.**

      See attached KPMG Partner Jane Letts’ presentation on The City University of New York Uniform Guidance Audit Results.

      In response to a question from Chairperson Thompson on what was KPMG’s sample for the Uniform Guidance Audit:

      Ms. Letts stated that KPMG’s sample included a total of 145 students from across the University, about five to ten students per campus.

      In response to a follow-up question from UFS Chair and Trustee Conway on what are the odds that some of the 145 students in the sample would receive financial assistance:

      Ms. Letts stated that KPMG makes sure that they are getting a good range of students that receive financial aid assistance per campus, not per type of program within financial aid. To the Federal government, student financial aid cluster is one program. Typically, in a school that does not have many campuses, the American Institute of Certified Public
Accountants (AICPA) does have sample guidance, and based on their risk assessments, they could do a sample of twenty-five. She noted that it is twenty-five samples for a low risk assessment, forty samples for a moderate assessment, and sixty-five samples for a high assessment. KPMG went beyond this because of the number of campuses CUNY has, and to make sure that it is getting adequate coverage. If any exceptions are identified from those samples, KPMG will either write it as a finding, or expand the sample. Ms. Letts stated that no exceptions were noted throughout KPMG’s performance procedure.

KPMG Senior Manager Maggie Casella added that the majority of KPMG’s samples have Pell grants and direct loans. These are the two largest programs. There are fewer Perkins loans and federal work-study, and those programs are not very large for the University. The Tuition Assistance Program (TAP) is a New York State program, so it is not under the scope of the Federal Uniform Guidance, but KPMG does see and considers the total aid the students were awarded to make sure it was not over their cost of attendance or need.

In response to a third question from UFS Chair and Trustee Conway on whether the process is sufficient to find a problem if it exists as per the previous point about low, moderate, and high assessments, and a one-campus system where at the low end one would be doing twenty-five, and here at the University at the low end with twenty-four campuses and 145 samples KPMG is doing five:

Ms. Letts stated that it is the same control process but to the Federal government CUNY is one school.

In response to questions from UFS Chair and Trustee Conway on a) has KPMG experienced any fraudulent problems on a non-CUNY campus, b) what has been the base issue, and c) how can CUNY check that it cannot be done here:

Ms. Letts stated that having an appropriate control structure in place is key, making sure that there is adequate segregation of duties, and review and approval by another individual. She added that with respect to financial aid, in her experience she has not seen any fraudulent reporting. It is a little hard to falsify paperwork as it is first submitted to the Federal government, then the reports come to the University, and then the paperwork is submitted back. Furthermore, with all of the enrollment reporting to the National Student Loan Data System (NSLDS), fraudulent activity can be monitored.

In response to another question from UFS Chair and Trustee Conway on whether there is any benefit in KPMG’s experience to doing this process on a centralized basis for an organization as large as CUNY:

Ms. Letts stated that for control purposes a centralized process is easier when conducting an audit; however, the problem would be for students at the campuses who have questions. All the same, the University has common controls surrounding financial aid which the campuses are following.

In response to a question from Chairperson Thompson on whether this process is done yearly:

Ms. Letts stated that the Federal government requires that this process be done once a year.
Chairperson Thompson stated that he would strongly suggest that in the next year KPMG do a higher statistical sample across the system rather than just the 145, looking at a little more than five to ten students per campus.

Ms. Letts stated that KPMG does not do a statistical sample. The AICPA does not require it, as it is judgmental.

In response to a question from Trustee Lorraine A. Cortés-Vázquez on what are Return of Title IV funds:

Ms. Letts stated that KPMG tests compliance and internal control procedures on Return of Title IV funds regarding the calculation and timeliness of the refunds. For example, if a student withdrew funds early and did not utilize all of the aid, during a certain time period, the University needs to do a calculation to determine if there is an amount that needs to be returned to the Federal government.

Following discussion, the item was approved as moved by Chairperson Thompson and seconded by UFS Chair and Trustee Conway.

II. INFORMATION ITEMS:

Chairperson Thompson moved to go into Executive Session at 4:25 p.m. The motion was seconded by UFS Chair and Trustee Conway.

CONVENING OF EXECUTIVE SESSION:
Chairperson Thompson called for an Executive Session pursuant to Section 105, Article 7, of the Public Officers Law, for the purpose of discussing confidential financial audit matters of the University. The Committee met in Executive Session from 4:27 p.m. to 5:38 p.m.

The Committee reconvened in Public Session. Chairperson Thompson moved to adjourn the meeting. The motion was seconded by Trustee Cortés-Vázquez and the meeting was adjourned at 5:39 p.m.
This presentation to the Audit Subcommittee is intended solely for the information and use of the Audit Subcommittee and management and is not intended to be and should not be used by anyone other than these specified parties. This presentation is not intended for general use, circulation or publication and should not be published, circulated, reproduced or used for any purpose without our prior written permission in each specific instance.

With you today:
Jason Spiegel, KPMG Partner
Margaret Casella, KPMG Senior Manager
February 6, 2017
Agenda

Uniform Guidance Audit

• Audit overview
• Discussion of results
Uniform Guidance Audit - Objective

The objective of the single audit is as follows:

— Determine whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to CUNY’s financial statements.

— Obtain an understanding of the internal control over compliance for each major program, assess control risk and perform tests of those controls.

— Determine whether CUNY complied with laws, regulations, and the provisions of contracts or grant agreements pertaining to federal awards that may have a direct and material affect on the major program – material noncompliance.
Uniform Guidance Audit – Selection of Major Programs

Selection of Major Programs

― Threshold of $750,000 is used to determine Type A and Type B programs when total expenditures are less than $25 million ($3,000,000 was threshold used for Federal programs). Those programs above the threshold are considered Type A programs, those below are considered Type B programs.

― Programs with loans are removed from the calculation of the threshold under certain circumstances

― A risk assessment is performed on all Type A programs

― Considerations necessary for low risk
  • Audited as a major program in at least 1 of 2 preceding years
  • Unmodified opinion on compliance in last audit
  • No audit findings noted in last audit that were considered material weaknesses
  • No known or likely questioned costs that exceeded 5% of the total federal expenditures for that program in last audit
  • No written request by the federal awarding agency to audit the program as major
  • Not designated as “higher risk” in the Compliance Supplement
  • Major changes in program regulation, personnel or systems
  • No recent Federal monitoring or results of prior year audit findings that result in higher risk based on auditor’s judgment

― All Type A’s that are not low risk are deemed high risk
  • If high risk – required to be selected as a major program
  • If low risk – selection as a major program is based on percentage of coverage rules

― A risk assessment is performed on all Type B programs in excess of 25% of the Type A Threshold – we would select high risk Type B programs to replace low risk Type A programs.
Uniform Guidance Audit - Major Programs Audited 2016

All CUNY schools were visited during the Uniform Guidance audit

One major program was audited:

- Student Financial Assistance Cluster
Uniform Guidance Audit - Student Financial Assistance Cluster

Tests were performed over compliance and internal control procedures relating to the following areas:

- Allowable activities – Awards and payments to students
- Cash management – Requests and draw down of funds by University
- Eligibility – The eligibility of students
- Reporting – Review reports submitted by University for accuracy and timeliness
- Special tests and provisions:
  - Separate Funds – Review procedures performed for maintenance of separate account
  - Verification – Review procedures performed and documents obtained
  - Disbursements to and on behalf of students – Calculation, reporting and timeliness of the disbursements
  - Return of Title IV funds – Calculation and timeliness of the refunds
  - Enrollment Reporting – Reporting and timeliness of the status changes
  - Loan repayments – Review procedures performed and documents obtained for proper authorization
  - Borrower data transmission and reconciliation – Review procedures performed and reconciliations prepared
  - Institutional Eligibility – Determine that the colleges are eligible to receive Federal SFA for its students
Uniform Guidance Audit - 2016 Results

— We have completed our audit of the University's Federal award programs.

— We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

— We conducted our audit of compliance over the major program in accordance with Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

There were no audit findings or questioned costs identified.

Pending Matters:

— Completion and certification of the Data Collection Form

— Final down-to-date procedures (e.g. reading of Board of Trustees minutes of meetings held subsequent to December 2016, management representation letter, etc.).
The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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