The meeting was called to order by Chairperson William C. Thompson, Jr. at 4:08 p.m.

The following people were present:

**Committee Members:**
Hon. William C. Thompson, Jr., Chair  
Hon. Lorraine A. Cortés-Vázquez (joined @ 4:46 p.m.)  
Hon. Judah Gribetz  
Prof. Kay Conway, faculty member

**Ex-Officio:**  
Hon. Barry F. Schwartz (joined @ 4:43 p.m.)

**University Staff:**  
Senior Vice Chancellor and Chief Financial Officer  
Matthew Sapienza  
Senior Advisor Marc V. Shaw  
Deputy Chief Financial Officer Christina Chiappa  
University Executive Director of Internal Audit and Management Services Gordon Taylor  
Director of Financial Reporting and Analysis Kenneth Tirino

The agenda items were considered and acted upon in the following order:

I. **ACTION ITEMS:**

B. **POLICY CALENDAR**

1. The City University of New York – Approval of the FY 2017 External Audit Plan.

See attached KPMG Partner Jane Letts and Senior Manager Maggie Casella’s presentation on the FY 2017 External Audit Plan.

In response to a question from University Faculty Senate (UFS) Chair and Trustee Kay Conway on whether KPMG can provide her with their diversity statistics:

Ms. Letts stated that KPMG will provide her with what their diversity statistics are.

In response to another question from UFS Chair and Trustee Conway on what are the processes of the Committee in regard to its fiduciary responsibility of the 2017 Audit Plan:

Chairperson Thompson stated that at the next meeting of the Committee on Audit, Senior Vice Chancellor and Chief Financial Officer (SVC&CFO) Matthew Sapienza will give a presentation that details outlines and controls to provide transparency and accountability.

Interim General Counsel and Vice Chancellor Jane Sovenn added that there is an intention to provide training for the full Board.
In response to a question from Chairperson Thompson on whether KPMG will address
the Committee’s concern from a previous meeting about the size of the sample:

Ms. Letts stated that the presentation will cover both samples with respect to the campus
site visits for the Financial Statement Audit and the Uniform Guidance Audit as they are
separate.

In response to questions from Trustee Judith Gribetz on a) whether CUNY’s internal
control over financial reporting mirrors the image of KPMG and b) how does CUNY know
what to monitor:

Ms. Letts stated that CUNY’s internal control is not a mirror image because KPMG is
selecting samples and looking at process. If any deficiencies are noted in that process or
any exceptions are found, KPMG will report it. She added that the Fiscal Year 2017 Audit
Plan has very detailed audit procedures listed for each one of the financial statement
accounts that KPMG has preliminarily determined will be audited. Once KPMG gets into
the field, and if there are new transactions, events, or something not anticipated, KPMG
will be adding certain procedures to accommodate for those. Obviously, KPMG would not
ignore anything that would be significant that is new to the University during the fiscal
year.

In response to a question from UFS Chair and Trustee Conway on whether KPMG will
communicate any issues to the Committee on Audit if it was not resolved with
management:

Ms. Letts stated that if there was an issue that KPMG discovered through the course of
its audit procedures and had a conversation with management that resolved the issue to
their satisfaction, and it was not incorrectly reported or not causing an audit entry, KPMG
could resolve that through the course of the procedures and through the communications
with management. If it is very significant, KPMG will bullet point it in the final
presentation. If it is a deficiency or material weakness in internal control, KPMG will
include it in writing either in the final presentation or management letter. If it is an audit
entry that is posted as a result of audit procedures that KPMG is performing, it will be
communicated in the final presentation in the fall. If it is a past audit entry that
management chooses not to record, KPMG will also be including that in the presentation.
She added that a lot of items do rise to that level but it depends on the dollar amount—
not just quantitatively and qualitatively—if it is resolved to KPMG’s satisfaction. Typically,
all significant transactions are summarized and included in that final presentation.

SVC&CFO Sapienza added that last fall when KPMG presented to the then
Subcommittee on Audit, they went into executive session to have an opportunity to talk to
KPMG without management in the room. That is a best practice of audit committees and
something that the Committee on Audit is committed to continue.

In response to another question from UFS Chair and Trustee Conway on whether
community colleges are included in the report on financial statements with both the
University and senior colleges:

Ms. Letts stated that KPMG does not issue a separate report for the community colleges.

Director of Financial Reporting and Analysis Kenneth Tirino added that the community
colleges are part of the University’s consolidation. The state only requires a separate
audit for the senior colleges.
In response to a question from Chairperson Thompson on how long has KPMG been the University’s auditor:

Ms. Letts stated that KPMG has been the University’s auditor for about thirty years; however, there is a 7-year mandatory partner rotation.

SVC&CFO Sapienza added that the contracts are for 5-year terms, so the Office of Budget and Finance (OBF) has been putting out contracts to bid every five years.

In response to a question from Trustee Gribetz on whether CUNY’s term limits are the norm for like institutions:

SVC&CFO Sapienza stated that the University has not had term limits on KPMG but has term limits on the partner.

Chairperson Thompson and Trustee Gribetz requested that OBF provide the Committee with the University’s procedure on the rotation of firms.

SVC&CFO Sapienza stated that OBF will research and then share with the Committee on Audit via email in the next couple of days the rules on term limits for the state and the city.

In response to a question from Trustee Gribetz to SVC&CFO Sapienza on whether he had reviewed the FY 2017 External Audit Plan in advance of the meeting:

SVC&CFO Sapienza stated that OBF has had discussions with KPMG beforehand about what the areas of operations are as well as on the presentation. For example, Ms. Letts mentioned earlier in her presentation about the eight colleges. Most of these colleges were selected because of the 3-year rotation. The CUNY School of Public Health and Health Policy is a new entity. OBF felt that it was important that KPMG go visit them since this is their first year of operation, in case that there is something going on that is not proper in terms of internal controls.

In response to a question from UFS Chair and Trustee Conway on whether the Inspector General (IG) prompted OBF to rethink any of the entities CUNY is looking at or caused anybody to be on this list that was not here because of the rotation:

SVC&CFO Sapienza stated that he does not believe any of the eight colleges were chosen because of particular IG concerns. He added that this was the School of Public Health and Health Policy’s first year as a separate entity.

In response to a question from Trustee Gribetz on whether the federal government has created criteria to be followed:

Senior Advisor to the Chancellor (SAC) and Secretary of the Board Gayle Horwitz noted that the Federal Uniform Guidance Audit replaces the A-133 report.

Ms. Casella stated that the federal government has a compliance supplement that details requirements for all federal grants. It is not necessarily student financial aid. There are other federal grants that are included in the scope of the compliance supplement.
Ms. Letts stated that there is another level of requirement that management needs to comply with as well, for example, the Uniform Guidance Audit, to administer their programs.

In response to additional questions from Trustee Gribetz on a) how long has the Uniform Guidance Audit been in place and b) whether the higher education world has discussions with the federal government before the audit is done:

Ms. Letts stated that this is the second year of the Uniform Guidance Audit. Previously it was OMB A-133 and that was out from 1993. Before that it was OMB A-128. It has been out a good 30 years.

Chairperson Thompson noted that discussions are probably done on an agency level. Any agency that has oversight would put these rules together.

In response to a question from Chairperson Thompson on whether the rules are promulgated at OMB:

Ms. Letts stated that the rules are promulgated at OMB but each one of the departments are required to use their own separate audits of when they provided grants out, so they collectively combine them into one single audit, and if issued, follow one standard rule across the country for any expenditures of federal awards. There is an annual compliance supplement distributed with suggested audit procedures by program for auditors to follow for performing the audit. It does not matter what auditor one has, they are using very similar procedures, as well as following the American Institute of Certified Public Accounts (AICPA) Sampling Guide.

SAC and Secretary of the Board Horwitz stated that the A-133 Audit or the new Uniform Guidance Audit is not just for higher education, it is across the board. Anyone receiving federal money through a grant has to go through such an audit.

Trustee Gribetz stated that CUNY now has a budget that is going to impact in ways that are unique. He asked if there is an umbrella organization for each one of these major grants that can be common to discussion with the budget-creating people that ends up with the University paying money for some activities that could be more efficiently handled, or not necessarily handled.

Chairperson Thompson stated that there are some larger trustee boards that are looking at, or involved in this discussion and Trustee Charles Shorter is CUNY’s representative on one of them.

SVC&CFO Sapienza stated that the Association of Public and Land-Grant Universities (APLU) does a lot of lobbying on higher education issues and federal budget proposals may affect higher education significantly. On a specific financial issue, the National Association of College and University Business Officers (NACUBO) may get involved with higher education so there are some higher education organizations that are a collection of university systems from throughout the country.

In response to a question from Vice Chairperson Barry Schwartz on whether this single audit covers the Research Foundation:

SVC&CFO Sapienza stated that the Research Foundation has a separate single audit but it is consolidated within CUNY’s financial statements.
Chairperson Thompson stated that given the small sample size and given the larger universe of what the Committee is looking at, it does not feel like it is a sufficient sample.

Ms. Casella stated that when all 24 campuses are totaled up for the Uniform Guidance Audit, it is over 500 samples.

Ms. Letts stated that it depends on what compliance requirement KPMG is testing. For allowability of payments, it is the number of payments to the students so KPMG actually picks a student and every payment that was made to that student in the sample. Eligibility is the population, the number of students that receive this federal aid that is listed. The population is 500 of the total number of students. Cash management is the cash draw-down so KPMG looks at what if there is a total number of draw-downs that the University has done for the full fiscal year period and then selects the sample from that. In addition to testing the samples, KPMG tests the completeness of the population to make sure that the sample selection is from a complete and accurate population. In doing the specific procedures out at the campuses, KPMG is looking at completeness and accuracy, identifying what does Central Office have as the population and comparing that to ensure that it is accurate. If it is not, then KPMG has a problem and would have to expand the sample. This is, again, preliminarily—if KPMG ends up with 5-10 exceptions at that campus, they immediately have conversations with senior level management at CUNY, and would expand the samples and obviously determine that there is a problem. If they are following the procedures and processes, and the completeness and accuracy checks out, and the sample items are fine, then KPMG does not expand at that campus level.

UFS Chair and Trustee Conway stated that she does not understand the rationale for having an absolute number per campus when the campuses are so dramatically different in size.

Ms. Casella pointed out that the sample is not statistical sampling; it is attribute sampling. University-wide, it is based on a total population. As Ms. Letts mentioned before, KPMG follows the AICPA Guidance for selecting samples.

In response to a question from Deputy Chief Financial Officer Christina Chiappa on how much of the samples have to do with the work that is done at Central Office:

Ms. Letts stated that there are standardized procedures and policies that are in place at the Central Office. KPMG first obtains the populations and the details of all of the transactions that are happening out at the campuses, selecting the samples. Then KPMG goes out to make sure that the campuses have that matching information and that they agree. There are some checks and balances that are done centrally that KPMG is also auditing to make sure that the campuses are doing things appropriately.

Deputy Chief Financial Officer Chiappa stated that OBF also does all financial packaging, awards, and disbursements centrally.

Ms. Casella stated that along with Deputy Chief Financial Officer Chiappa's point, there is guidance for selecting samples at multiple locations, and KPMG considers all of the University campuses homogenous locations. They follow all the same processes and controls. She added that if they were heterogeneous the University would follow the AICPA guidance for each individual school.

Trustee Lorraine Cortés-Vázquez stated that the Committee should look at a sample for central operation as well as a separate sample for the transactional, the one that is
transferred. She added that she has the highest respect for what the accounting regulations are but CUNY finds itself in a unique point and time, given some of the recent history and occurrences, meaning that the Trustees would like to go a little bit beyond the due diligence in terms of these kinds of audits.

Chairperson Thompson stated that he would like to follow up on a point Trustee Gribetz made previously about a larger structured discussion with the Board and information training, as it is all part of a slightly different conversation, but one that needs to be discussed in the near future.

In response to a question from Chairperson Thompson on whether KPMG would notify the Committee on Audit if they detect fraud:

Ms. Letts stated that KPMG will communicate fraud detection to management as well as to the Committee on Audit.

In response to another question from Chairperson Thompson on whether there are any new GASB standards:

Ms. Letts stated that there are three new GASB standards that are going to be applicable for 2017. One is GASB 74, which are the OPEB standards. CUNY participates in the City of New York OPEB plan so this year they will be coming up with very similar standards to the pension plans and net pension liability and then allocating that portion out to the University to record on the financial statements, but the liability will not hit until 2018 when CUNY will need to record it. The other two GASB statements are GASB 80 that deals with reviewing the Blended Component Units to make sure that they are properly presented, and GASB 82 which adds some disclosure in the required supplementary information. Neither one will really have a significant impact. KPMG will report back any disclosure or anything added to the financial statements, but it is not anticipating anything significant.

In response to a question from Trustee Cortés-Vázquez on whether the Committee will receive a copy of the sample size since there has been considerable discussion on it:

Chairperson Thompson requested that the Committee be provided with the sample size prior the June 2017 Board meeting so that it can be discussed at the full Board meeting in the latter part of June.

Moved by Chairperson Thompson and seconded by UFS Chair and Trustee Conway, following presentation of the Fiscal Year 2017 External Audit Plan by KPMG and discussion, this item was approved.

A. APPROVAL OF THE MINUTES OF THE MEETING OF MARCH 29, 2017. Moved by Chairperson Thompson and seconded by Trustee Cortés-Vázquez, the minutes were approved as submitted.

Chairperson Thompson moved to go into Executive Session at 5:09 p.m. The motion was seconded by Trustee Cortés-Vázquez.

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 5:10 p.m. to 5:31 p.m.
B. POLICY CALENDAR, continued:

2. The City University of New York – Approval of the FY 2018 Internal Audit Plan.

Moved by Chairperson Thompson and seconded by UFS Chair and Trustee Conway, following presentation of the Fiscal Year 2018 Internal Audit Plan by KPMG and discussion, this item was approved.

The Committee reconvened in Public Session. Chairperson Thompson moved to adjourn the meeting. The motion was seconded by UFS Chair and Trustee Conway and the meeting was adjourned at 5:32 p.m.