A video conference of the Audit Committee of the State Board of Education was held March 11, 2015 in Boise, Idaho and throughout Idaho.

ATTENDANCE
Committee: Emma Atchley, Chair, Bill Goesling, Don Soltman, Mark Heil, Brent Moylan
Board staff: Matt Freeman, Scott Christie
BSU: Stacy Pearson, Jo Ellen Dinucci, Suzanne Adams, Larry Harmon, Mark Eisenman
ISU: Jim Fletcher, Brandt Wright, Reese Jensen
UI: Ron Smith, Dan Stephens, John Keatts, Brad
LCSC: Chet Herbst, Jeff Phelps, Teresa Cole
EITC: Christian Godfrey, Don Bourne

AGENDA

1. Approve December 8, 2014 and January 8, 2015 Meeting Minutes
The meeting minutes of the December 8th 2014 and January 8th 2015 Audit Committee meetings were approved unanimously as presented.

2. Moss Adams FY 2015 Audit Plan
Scott Simpson, Tammy Erickson and Pam Cleaver from Moss Adams presented the Audit Committee their FY 2015 Audit Plan for the colleges and universities. The FY 2015 Audit Plan was approved unanimously.

Areas discussed included the new super circular that would replace circular A-133. This will affect FY 2016 financials, increase the threshold for major programs to $750k, and reduce the amount of federal funds audited to 40%. GASB 68 was also discussed which will result in an amount of unrestricted net assets moving up to the pension liability. Moss Adams indicated the information that was provided by PERSI is not sufficient. Since the measurement date is June 30, 2014 a liability as of June 30, 2013 needs to be calculated. Staff discussed this matter with Eide Bailly (PERSI auditor) and they stated an update would be provided within 7-10 days.

The Committee also discussed the process of reviewing new programs and the need for appropriated resources after several years, actual results vs initial goals, enrollment, and federal funding. The Committee directed staff to work with BAHR and IRSA to further develop procedures and/or policy in this area.
3. FY 2015 2nd Quarter Reviews
The institutions presented their 2nd quarter financial statements. The University of Idaho indicated $5m in operating surplus was moved to investments. The university has a goal of 30-32% non-resident students and wants to also increase resident students. Matt will provide a longer trend for grants to the Committee. Idaho State University indicated $10m in operating surplus was moved to investments. A decline in resident enrollment was offset by an increase in international students who tend to take more credits and finish in a shorter time period. Boise State University indicated it would receive $1.6m from the Fiesta Bowl which would be offset by a P-Card accrual of $1.5m. The university is going through some cost cutting measures to improve their financial ratios. The impact of GASB 68 is approximately $7.1m but should not affect their financial ratios. The Committee directed staff to provide student debt information.

4. Risk Assessment with Internal Auditors
The Committee discussed risk areas with the internal auditors. Special Course fees were discussed and the institutions indicated each internal audit conducted, or is nearing completion of, an extensive review of course fees including testing management policy and procedures. Each institution’s internal audit will periodically test controls for compliance either annually or at least by FY 2017. Some of the institutions reported a reduction of the number of course fees.

The Committee also discussed the general recurrence of audit findings in the area of student financial aid reporting and compliance. The Committee directed the internal auditors to provide consulting for management in this area.

The Committee did not direct the internal auditors to include specific risk areas in their risk assessments.

5. Boise State Alumni Association Operating Agreement
Although the operating agreement was approved by the Committee in November 2014, the Exhibits to the agreement were not available at that time. Subsequently, changes to the Conflict of Interest policy were made and questions were raised as to check signature requirements for Alumni Association funds. The Committee approved the operating agreement pending any necessary edits and will be submitted to the Board for approval in June.

6. Underperformance of Financial Ratios
The Committee discussed the issue of underperformance of financial ratios by an institution. The Committee considered this a BAHR issue and asked BAHR to determine how to evaluate underperformance and the steps that should be taken by the Board. Other considerations include placing long-term practices into Board policy to ensure both the Board and institutions understand the expectations resulting from underperformance.

Meeting adjourned at 1:40 pm (Mountain)