

Audit Committee Meeting Notes  
April 13, 2007

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Schulz Room – 41 Beacon Street

Present: Darwin Smith (acting chair), Dan Brody, Chris Reece, Rev. Will Saunders, Ed Merck (by telephone)

Absent: None

Also Present: Glenn Charbonneau, Florence Einhorn, Tim Brennan, Nancy Gladyszak

Note taker: Charbonneau

Smith opened the meeting with a reading.

The group then did check-in.

**MSP:** Approve the minutes from the November 2006 meeting. (Saunders, M; Reece, S).

Merck expressed regret that recent back surgery had kept him from attending the meeting in person, and he thanked Smith for agreeing to chair the meeting in his absence.

Merck briefed the committee on his report to the BOT in January. This was Merck's 2<sup>nd</sup> report to the board. He told the board that the UUA had received a clean audit with no material weaknesses reported. Merck pointed out areas of the management letter that needed some further review and detailed the management commitments. Merck went over goals for the next year including the development of a conflict of interest policy.

Brennan updated the group on the responses to the issues raised in the KPMG's management letter. The staff and Investment Committee have done a lot of work on the Alternative Investments in terms of both reporting and learning more about what best practices are at other institutions.

Steve Carron and Chris Brathas of KPMG joined the committee to share the proposed schedule for the FY07 audit. They distributed a packet of materials including areas of focus, preliminary schedule, and letters of engagement. Brennan asked for more specific guidance needed for the valuation of Alternative Investments. KPMG said we will need to do a roll-forward based upon the December 31, 2006 audited financials of each fund. SAS 112 requires that KPMG alter the way it looks at and reports on our control procedures. KPMG must now report on issues that could have led to statement errors if the issues haven't been corrected by management. This does not affect the opinion on the financial statements but may be termed a "significant deficiency" in the Management Letter. Brathas will forward to Brennan a new interpretation of SAS 112.

Following the break, discussion was held regarding what involvement and oversight the UUA Audit Committee should have over the UUA Health Plan (EBT) audit.

Brennan said that it would cause additional work for there to be a separate firm handling the EBT audit. It was agreed that the most sensible approach is for this Audit Committee to have an oversight role vis-à-vis the EBT audit. Brody mentioned that the composition of the EBT Board is broadly based in the health care industry. They would most likely welcome the Audit Committee's selection of the audit firm for the EBT.

**Deleted:** Following the break, discussion was held regarding what involvement and oversight the UUA Audit Committee should have over the Plan audit.

**MSP:** (Brody, M; Saunders, S)

Recommend to the UUA BOT that the role of the Audit Comm shall be amended to include:

- recommend an auditing firm to the EBT Board,
- receive and review the EBT Audit (after it is approved by EBT Board) and make appropriate recommendations to both the UUA and EBT Boards
- provide advice to the EBT Board on any relevant financial and operational issues.

Brennan briefed the group on the development of the policies and procedure manual.

Finance is currently investigating Fixed Asset Management systems. Most of the issues involve accounting for computer technology assets. We have approx. \$2.3 million on the books for computer technology but approximately 80% is fully depreciated. Staff will conduct an inventory of IT capital items and adjust the books accordingly.

There was great feedback for Brennan's work. They're supportive of changes, especially the detailed reporting and update of work on the management letter, as well as the overall impact that he's made.

Discussion of business practices: Brennan summarized the ongoing concern of the Audit Committee that there is a need to review and tighten up some of our business practices. Brennan distributed a chart listing areas for attention: Service Gratuity, Council on CSF, LREDA, C\*UUYAN, GIF. Other issues discussed were chart of accounts, funding capital campaigns, grants/scholarships, American Express, sales tax, record retention, and capitalization and depreciation. Brody asked about our compliance with payroll in terms of a multi-state workforce. Einhorn said that we pay taxes and are compliant with state taxes in all states in which employees live.