

UUA AUDIT COMMITTEE
Monday, April 7, 2008
Schulz Room, 41 Mt. Vernon Street, Boston

Minutes

Present: Chris Reece – Chair, David Friedman – Board liaison, Carol Gable, Ed Merck, Dan Brody – Financial Advisor

Staff: Tim Brennan, Rachel Daugherty, Javier Cabán

1. Transitions:

Javier Cabán, controller, was hired and began working in January 2008. Rachel Daugherty, assistant to the treasurer, was hired and began working in November 2007. Carol Gable, the newest member of the committee was introduced, as this was her first meeting. David Friedman is the new board liaison to the committee.

Opening remarks – introductions were made.

2. Minutes

The minutes of the October 12th meeting were reviewed. Brody moved approval, Merck seconded. Motion passed. Thanks were given to Brennan for preparing the minutes.

3. Report from the Treasurer

- Hired a new controller, Javier Cabán. He comes to the UUA with considerable experience in nonprofit accounting having previously served as director of finance at Ceres.
 - has already tightened up monthly closing from approximately 30 days down to 15 days
- EBT audit update – progress on the audit, issues are:
 - Since the EBT is an ERISA Plan, allowing us to avoid regulation in each state, this means we have to file a 5500 with the IRS – however, we haven't been collecting the data from congregations necessary to do so. Therefore, EBT staff has gone back to the congregations to collect the necessary information. All is going well, but this process has delayed the completion of the audit.
- “off balance sheet” accounts -
 - This term refers to funds controlled by organizations that are closely related to the UUA but which maintain separate bank accounts. Consider different language to describe these accounts since “off balance sheet” has taken on negative implications in recent years.
 - Sponsored Organizations – this category was established by the board for organizations that would have their own governance but be allowed to operate under the UUA's tax status. Our legal counsel does not recommend using this arrangement as it is inconsistent with tax law.

Organizations should be fully independent, part of the UUA, or in a fiscal agency relationship.

- Similar to these organizations are the Council on Church Staff Finances accounts and the retirement fund accounts.
- The recommendation from the committee is to account for these funds like any other assets of the Association.
- Should discuss at the Finance Committee

Action Items: (1) for any bank accounts which are opened under the UUA's federal ID number: the balances should be reflected on the Association's balance sheet, the accounting department should be responsible for oversight and reconciliation, and the signatories should be the same as for the UUA's other accounts. Treasurer will put these changes in place by the end of the fiscal year.

Action Item - Tim will revise the memo on off-balance sheet accounts to incorporate decisions and action steps from today's meeting and will share with KPMG.

3. Audit Plan for FY08

Steve Caron, Partner, and Eric Knox, Senior Manager, KPMG presented.

- Knox noted that Javier has tightened up monthly and quarterly closes and anticipates tightening up year-end close. This is consistent with the recommendations in last year's management letter and should make audit go more smoothly.
- Audit Methodology – no changes from last year
 - The management letter comes out of the control test-work.
 - Javier will have the prepared-by-client list by the end of the week
 - Other deliverables- presentation to Audit Committee in Nov. 2008

4. KPMG Wrap up / Dialogue

Merck would like it noted that the committee should consider a SWOP analysis (best practices) from an outside consultant that goes behind typical confines of the audit and management letter, really taking a look at business practices. Recommends we get an outside firm to develop a list of things to look at and prioritize.

5. Working Lunch – Follow-up on outstanding items

- Brody moves to go into executive session; Merck seconded - motion passed.

- Merck moved to leave exec session; seconded by Gable - motion passed.

- January 16th - additional Audit Committee Meeting

Reece moves that the committee engage KPMG for FY08 audit; Brody seconded – motion passed

6. Conflict of Interest and Whistleblower Policies

The committee agreed to look at a draft policy, comment through an email discussion, and consider the policy at the next committee meeting.

Regarding a whistle-blower policy, Brody states that an important question is whom do you report to? There are two options: report to a member of the staff OR have a designated board member to receive complaints.

Brody prefers the former.

Carol Gable mentions a software package used by St. Lawrence College for whistleblower filings called Ethics Point. With this software, a potential whistleblower is able to choose whether or not they'd like to remain anonymous. That message is then copied to whomever the committee chooses as most appropriate.

Action Item - Consider whistleblower policy from Council on Foundations as a model for UUA. Ask KPMG for conflict of interest policies for benchmarking– add to agenda for next meeting. The committee will make a decision on a conflict of interest policy to recommend to the Board at the next meeting – Brody will take the lead in drafting the policy.

TO DO: Follow-up action items

- Reconfigure financial statement to separate operating/non-operating items. If possible, the FY08 audited statements will incorporate this format.
- Develop a mechanism for monitoring progress on management letter recommendations. Prepare an annual memo that shows changes and responses to each item. This will be a vehicle to track what happened on each item since the previous year.
- On “off balance sheet” accounts: (1) for any bank accounts which are opened under the UUA’s federal ID number: the balances should be reflected on the Association’s balance sheet, the accounting department should be responsible for oversight and reconciliation, and the signatories should be the same as for the UUA’s other accounts. Treasurer will put these changes in place for all affected accounts by the end of the fiscal year.
- Tim will revise the memo on off-balance sheet accounts to incorporate decisions and action steps from today’s meeting and will share with KPMG.
- Tim will research Ethics Point as possible provider of whistleblower services.
- Staff will research sample policies from Council on Foundations and our auditors.
- Dan will draft a conflict of interest policy and a whistleblower policy for email comment and consideration at the next meeting.

Upcoming Meetings

- November 6 – presentation of the audit report from KPMG
- January 16 – ongoing business