

UUA Audit Committee
Monday, May 18, 2009
Rice Room
Picket & Eliot House
Boston, MA

MINUTES – DRAFT

Present – Chris Reece – Chair, David Friedman – Board Liaison, Carol Gable, Ed Merck, Dan Brody – UUA Financial Advisor
Staff – Tim Brennan, Rachel Daugherty

Welcome and opening remarks

1. Minutes

Motion: Brody moves to approve the minutes of the January 16 meeting, Merck seconds – motion passed.

2. Report from CFO

- a. FY 08 Management letter – Brennan presented a progress report on steps taken to address the auditor’s suggestions contained in the management letter. We are on track to address each issue.
- b. Strategic plan – Brennan presented a memorandum itemizing the most important accounting and control issues to address over the next two years.
Action Item #1 – Brennan will present an updated strategic plan at the next meeting.
- c. Consideration of fiscal year change is on hold because the Fifth Principle Task Force is recommending that GA take place in August. If this is approved by General Assembly, a FY change would no longer be necessary from an accounting perspective.

3. Presentation by auditors –Steve Caron & Eric Knox, KPMG

- a. EBT audit status
 - i. The claims testing at Highmark has been completed for FY07 and FY08. Only one small variance noted.
 - ii. Agreed on a confirmation process to test compliance at congregations with the Health Plan office. Jim Sargent will sign and send cover letter to convey the importance of complying with the request from the auditors.
 - iii. Deadline is 30 days after notice from DOL that 5500 is incomplete because of failure to include audit. KPMG is confident that they will be able to meet this deadline.
- b. Plan for UUA FY09 audit

- i. Key issues will be alternative investments and endowment accounting. Special focus on requirements of FAS 157 on fair value accounting for assets.
 - ii. Processes for alternative investments should include reviewing 12/31 audits, roll-forward to 6/30, comparison to benchmark returns.
 - iii. There will be additional disclosures on alternative investments. Each will have to be rated from 1 to 3 depending on the availability of market pricing.
- c. UPMIFA. Adopted by 40 states. No accounting effect, but will require a new footnote. Does away with historic dollar value and allows spending below historic dollar value as long as prudent. Not yet adopted in Massachusetts.

Action Item #2 – Read “Defining Issues” paper from KPMG.

Action Item #3 – Brennan will consult with the Investment Committee chair regarding postponing new investments until after June 30th, thus avoiding certain valuation issues.

- 4. **EBT Audit – Caturano & Co.** A subcommittee appointed by the Audit Committee interviewed firms that responded to our RFP for auditing the UUA Health Plan and recommended Caturano & Co. Sean Donlan and Eric Ratican attended the meeting and presented their qualifications to the Committee.

Motion: Brody moves that the Audit Committee recommend that the trustees of EBT retain Caturano & Co. for the FY09 audit. Merck seconds, Motion passed.

Action Item #4 – Brennan and Brody will discuss how to obtain final approval from EBT trustees.

[Note: By electronic poll, the EBT board approved the hiring of Caturano in May 2009.]

5. **RFP for auditing services for FY10**

- a. To be issued in the fall
- b. Include information about new policy governance structure of board. This may have audit implications and potential audit firms should be aware.

6. **Other business**

- a. Audit Committee transition and continuity
 - i. The Committee recognized the outstanding service from Ed Merck who was a founding member and former chair of the committee.

- ii. Reece will contact Pat Solomon, chair of the Committee on Committees and ask that the job description for the open position on the Committee be posted.

Action Item #5 - Check with Nancy Lawrence about Reece's term end-date.

Motion: Brody moves to authorize Reece and Brody to write a letter to the Moderator proposing a new procedure for the Committee to report to the UUA board of Trustees. Gable seconds. Motion passed.

b. Future agenda items

- i. KPMG presentation – Audit report & management letter
- ii. Approve RFP for FY10 audit services and list of firms for consideration
- iii. CFO report, management letter progress report, and strategic plan update

c. Future meetings

- i. Oct. 26th – audit and management letter
- ii. January 24th and 25th, 2010 – Two day meeting for audit firm interviews and selection