

**STUDENT UNION BOARD OF DIRECTORS  
AUDIT COMMITTEE**

**Meeting Minutes  
April 19, 2022  
4:00 PM**

**In-person: Student Union Inc. Building, Conference Room 6  
Telecommute meeting by Zoom Video Conference.**

*This meeting is being facilitated in person and through an online Zoom format.*

**Voting Members Present:** Dr. Sonja G. Daniels, Ninh Pham-Hi, Anoop Kaur, Soumya Trivedi  
**Voting Members Absent:** None  
**Non-Voting Members Present:** David Alves, Tamsen Burke

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**I. CALL TO ORDER**

Director Kaur called the meeting to order at 4:04 p.m

**II. ROLL CALL**

Director Kaur asked Kelly Goldsmith to take roll. Kelly Goldsmith completed a verbal roll call.

**III. APPROVAL OF APRIL 19, 2022 AGENDA**

Director Kaur asked for a motion to approve the agenda as presented.

**Director Daniels motioned to approve the April 19, 2022 agenda; Director Pham-Hi seconded the motion.**

**Vote on the Motion: 3-0-0 Motion Passed**

**IV. APPROVAL OF SEPTEMBER 7, 2021 MEETING MINUTES**

Director Kaur asked for any changes to the minutes. A request was made to correct the misspelling of Director Pham-Hi's last name.

Director Kaur asked for a motion to approve the September 7, 2021 minutes.

**Director Pham-Hi motioned to approve the minutes with the correction; Director Daniels seconded the motion.**

**Vote on the Motion: 3-0-0 Motion Passed**

**V. APPROVAL OF SEPTEMBER 30, 2021 MEETING MINUTES**

Director Kaur asked for a motion to approve the September 30, 2021 minutes.

**Director Pham-Hi motioned to approve the minutes as presented; Director Daniels seconded the motion.**

**Vote on the Motion: 3-0-0 Motion Passed**

**VI. DISCUSSION ITEM**

**A. Auditor's Required Communication Presented by RSM USA LLP**

Ms. Burke introduced Kristan Livingston and Garren McKay from RSM USA LLP, to present this item.

Ms. Livingston and Mr. McKay each introduced themselves. Ms. Livingston discussed the other members of their team. She explained that she will be the reviewer for all five of the auxiliaries on the university's campus. They provided an overview of the field work and report timing, the auditor's professional responsibilities, and the communication protocol between RSM and the audit committee. There are independence policies and procedures in place to provide reasonable assurance that RSM and its staff comply with applicable professional independence standards. The engagement letter is also confirming that RSM is independent. Ms. Livingston discussed the interim plan and briefly explained their risk assessment procedures. As part of every audit, there's presumed areas that have significant risk. She explained the first two areas identified to have significant risk; management override of controls; and fraudulent revenue recognition related to the existence of program fees, and how RSM will address those risks.

Ms. Burke briefly discussed issues that happened during last year's audit report that included the Student Union's audit being coupled with the university and communication not being transparent. She asked how RSM would be acting in the best interest of the Student Union and how do we ensure that communications are transparent? Mr. Pham-Hi explained the involvement on the universities part, which included the involvement of Mr. Faas and Ms. Prunty. They have a fiduciary duty but they do not have the jurisdiction to go into the Student Union's operations or anything that is entirely self contained within the Student Union. If there is something that deals with the university, then they can provide input.

Ms. Burke explained that the Student Union still does not have an approved budget for 2021-2022 and that the Student Union will not be receiving any student fees for 2021-2022. The only fees that were received were from the IRA fees. All other operating expenses were funded from the Student Union's long term reserves. It was indicated in the 2021-2022 budget a request of \$12 million dollars in student fees. Based on a conversation Ms. Burke had with the Vice President and CFO, it was explained that there would be no return of student fees for 2021-2022 and the Student Union will continue to operate and manage this year using funds from their long term reserves. At the end of the year, the university would replace the long term reserves up to the threshold of \$5.25 million dollars. That was based on the presidential directive from former President Papazian prior to her leaving the university. Mr. Pham-Hi explained the Student Union needed to get their reserves down to the level that was acceptable to the university, then the university would keep the reserve at that level. Ms. Burke notified the CFO that the reserves are already below the university's threshold. She received a response to continue to use the reserves and that the university would bring the reserves back up to the minimum threshold of \$5.25 million dollars. Ms. Livingston stated that it needs to be determined if the disbursement is a contribution from campus or if it is program fees. Mr. Pham-Hi explained that it's normally revenue that is dispersed.

The committee discussed whether the Student Union has the authority to accrue the revenue based on the budget that was approved by the Finance Committee but not approved by the Student Union board. Mr. Pham-Hi agreed with Student Union management that the Student Union should be allowed to accrue the revenue because the university owes that money to the Student Union based on the CFO's promise that the university will bring the reserves up. When the

Student Union receives the disbursement from the university, it will counter that accrual. Ms. Livingston explained that program fees for the Student Union's revenue recognition are imposed non-exchange transactions that students have to pay. Ms. Burke explained that the challenge is that there is not an approved budget and the operating agreement continues to be negotiated. From the university's perspective, the Student Union does not have a legal claim for those funds without a signed operating agreement or approved budget.

Ms. Livingston briefly explained the implementation of GASB 87 will be an area of focus for the auditors and that management is already in the process of implementing that. Other areas of focus include investments, OPEB, program fees, rental income, and payroll. She explained GASB 96 is a future accounting standard that will be coming down next year. It is related to Subscription-Based Information Technology Arrangements (SBITA). SBITA is a contract that conveys control of the right to use another party's IT software, alone or in combination with tangible capital assets. Ms. Livingston will follow up with Mr. Alves on any advance planning that needs to be done to prepare for GASB 96.

Ms. Burke and Mr. Alves discussed the technical accounting issues that have a material effect on the Student Union's (SU) finances and need resolution from the university prior to year-end. These issues were, student fees revenue accrual for fiscal year ended June 30, 2022; student fees revenue accrual for fiscal year ended June 30, 2021; lease receivable for fiscal year ended June 30, 2021; and lease receivable for fiscal year ended June 30, 2022. The board requested that Ms. Livingston send a high level email to Ms. Burke, Mr. Alves, and Mr. Pham-Hi with these issues. Mr. Pham-Hi will then explain to the university that these issues need to be resolved in order for the audit to be completed.

Ms. Livingston addressed questions from the board which included explaining the relationship RSM has with the university in this audit process. The university made the decision to have one auditor for all auxiliaries. RSM works very closely with all auxiliaries separately but also together when there are issues that affect all auxiliaries financial reporting.

The board requested that if there are any deficiencies and/or weaknesses, that they are included in the draft audit that will be presented to the Audit Committee for approval. Ms. Livingston stated that they will do a better job at making sure the final audit results will be in the presentation to the committee and also in writing to the committee. It will be all inclusive of everything at that point in time. To prevent last minute changes, Ms. Burke would like to have advanced knowledge of any decisions that are made across the auxiliaries of how they are looking at financials or how they are being recorded.

## **VII. DISCUSSION/ACTION ITEM**

### **A. Review and Approval of RSM USA LLP Fee for Fiscal Year 2021-2022 Financial Audit Presented by RSM USA LLP**

Ms. Livingston explained that the fee increase of 8% is for every auxiliary and not just the Student Union. She clarified that the base fee of \$60,000 dollars does not include time for GASB 87 implementation. That will be billed separately based on hours at a rate of \$160.00/hour. The hours will be communicated during the weekly progress meetings.

Director Kaur asked for a motion to approve RSM USA LLP Fee for Fiscal Year 2021-2022 Financial Audit as presented.

**Director Pham-Hi moved to approve; Director Daniels seconded the motion.**

**Vote on the Motion:**

**3-0-0**

**Motion Passed**

#### **VIII. MEETING ADJOURNMENT**

Director Kaur asked if there were any objections to adjourning the meeting. Hearing no objections, the meeting was adjourned at 5:13 p.m.

The Student Union Board of Directors is a public body, and members of the public have a right to attend and participate in its meetings. This schedule is established as a best approximation of how long each scheduled meeting will take to complete its business. Depending on the length of the discussions, which are not possible to predict with precision in advance, the scheduled meeting times indicated may vary widely. The public is advised to take this uncertainty into account in planning to attend any meeting listed on this schedule.