

UUA Audit Committee
Monday, October 29, 2012
By Conference Call

MINUTES

Members present: Dan Brody (UUA Financial Advisor), David Friedman (Board Liaison), Carol Gable, Jim Key (Chair)

Member absent: Sean Rush

Staff present: Tim Brennan, Karen Wheeler

Mayer Hoffman McCann/CBIZ-Tofias: Mike Burns, Merrill Puopolo, Carrie Demakis

McGladrey & Pullen: Greg Natalucci, Meaghan Cassidy, Will Meconi

1. Minutes

Motion: to approve minutes of the June 11 conference call and the May 7 meeting. Moved Gable, passed.

2. FY12 Audit of the UUA – Burns, Puopolo, Demakis

- Unqualified or clean report: “the financial statements of the Organization are presented fairly in all material respects in accordance with U.S. GAAP.”
- Puopolo reviewed several adjusting entries that were not booked by management due to insignificance. She recommended that in the future and estimate be made for the post retirement benefit obligation expense in years when the organization does not commission an actuarial analysis. Brennan said the UUA would ask for guidance from the actuary.
- Demakis reviewed the analysis of fluctuations in accounts from last year to this. Many of the declines in assets were due to poor market conditions.
- Puopolo reviewed six recommendations for improvements none of which rose to the level of material weaknesses or significant deficiencies. Brennan and Wheeler indicated that they agreed with all of the suggestions and would implement them as soon as practical.
- Burns recommended special attention to controls around ACH transfers. Another client lost a significant sum to fraud and the bank did not make them whole.
- Puopolo reviewed recommendations from prior years and noted that all had been implemented or were in the process of being implemented.
- Puopolo complemented the UUA for “tremendous improvement” and noted that the number of recommendations had declined from 17 to six.
- Puopolo and Burns reviewed new developments in accounting standards and business conditions that could affect the UUA. They recommended that the UUA pay special attention to the financial condition of their banks since federal guarantees go back to \$250,000 per institution on January 1.
- The auditors met with the committee in executive session without staff present.

3. FY12 Audit of the UU Employee Benefits Trust (Health Plan) – Natalucci

- Natalucci observed that each year he sees improvements. He thanked the UUA staff for great support during the audit process.

- He noted that the UU Health Plan was in excellent financial conditions even though claim expenses jumped from the previous year.
- The audit process is not complete. They are still waiting for some compliance documentation from six congregations (out of 45 sampled). There are problems with a few laggard congregations every year. And as is always the case, the report cannot be issued until Highmark issues its annual compliance and control audit (formerly the SAS 70, now SSAE 16).
- He noted that the most important estimate made by management is the allowance for Incurred But Not Reported claims. Brennan stated that this number was based on analysis of the Plan's actuaries, Milliman and Company, and reviewed in detail with the Plan's trustees.
- Brody asked about what constituted an adequate level of reserves. Natalucci responded that one year of claim expense would be a healthy reserve, but a smaller amount could be sufficient depending on circumstances. Overall he thinks the plan is very healthy.
- He noted that there was no longer an entry for a post-retirement benefit obligation. This is because any benefit guarantee would be made by subscribing congregations, not the Plan. Nevertheless, this needs to be monitored. An increasing number of retirees could necessitate further analysis of the sufficiency of premiums to cover anticipated claims.

4. Motions

Motion 1: To recommend that the UUA Board of Trustees accept the report of auditors. Moved Friedman and passed.

Motion 2: To recommend that the Trustees of the UUA Employee Benefits Trust accept the report of auditors. Moved Gable and passed.

5. Other Items

- Presentation to UUA Board of Trustees – Key
Key will draft a PowerPoint report for the Board and review with Brody. Report will be circulated to the Committee before the Board call on November 15. Members of the Committee are welcome to participate in the Board call. Brennan will send instructions when they are available.
- Workshop proposal – Key
Key thanked Gable for her suggestions on the proposal for a workshop at General Assembly. He will complete the online proposal form and submit before the upcoming deadline.

6. Next meeting

- Report to the Board on November 15th – teleconference
- Committee will meet in person in Boston on December 5, 9:00 AM to 2:00 PM. Items on original agenda for today that were not addressed will be covered.