

**UUA Audit Committee**  
**Wednesday, December 5, 2012**  
**Greeley Library**  
**UUA Headquarters**

**MINUTES**

Members present: Dan Brody, David Friedman, Carol Gable, Jim Key (Chair)

Members absent: Sean Rush

Staff present: Tim Brennan, Susan Helbert, Rob Molla, Kay Montgomery, Mark Steinwinter, Karen Wheeler

**1. Minutes & check-in**

**Motion:** to approve minutes of the November 2011 meeting: Moved by Key, seconded by Brody, approved with no changes.

Carol Gable noted that her term will end June 2014 and that she does not intend to serve a fourth term.

Brody announced that Ed Merck has been nominated for Financial Advisor and if elected would join the committee as an ex officio member in July 2013.

**2. CFO Update - Brennan**

- **Comments on FY 2012 audit**
  - Brennan noted that the auditors reported a clean audit. They had several management recommendations, but fewer than the last few years.
  - He commended Karen Wheeler and the financial services staff for outstanding work.
  - He also praised the auditing team from Meyer Hoffman McCann - Tofias New England Division for their rigor, good guidance, and cooperative approach.
  - Brennan believes more attention needs to be directed to cash management. Cash balances in the operating section are frequently low. Given the institution's overall strong cash position, there are several options. The staff will bring a proposal to the committee later this fiscal year.
- **Property update**
  - The staff is continuing to conduct a search for a new headquarters for the UUA. The search is proving challenging for several reasons: the commercial real estate market has become more competitive with many more potential buyers competing for properties than one year ago. Furthermore, finding a building that is both the right size (~40,000 sq. ft.) and vacant narrows the number of prospects. To increase the pool of potential buildings, the search will be broadened to include buildings that are larger than what is needed by the UUA. The UUA is being advised by

Leggat McCall Properties, HKT Architects, and legal counsel at Nutter McClennen and Fish.

- **Update on formation of UUCEF, LLC**
  - UUCEF, LLC has been organized in the Commonwealth of Massachusetts and has obtained an EIN. An application for 501c3 status has been submitted to the IRS, but it is likely that they will not review our application until summer.
  - Once the IRS issues a determination letter, we will start a transition process to move to the assets in the new entity. This will require a new subscription agreement with each investing congregation and new agreements with investment managers and service providers.
- **Holdeen trusts**
  - In July 2012 we were informed by the Wells Fargo, the trustee of the Holdeen Trusts, that they would be reducing the payout rate from 5% to 3%. After we protested, discussions resulted in them finally agreeing to 5% for July distribution but going to 3.5% beginning in January 2013. The UUA continues to object to the amount of this reduction. Brennan has a meeting in Philadelphia to discuss issues with Wells Fargo in person on December 7, 2012.

### **3. HR risk management - Molla**

- Rob Molla, Human Resources director at the UUA, presented to the committee on HR risk and held Q&A.
  - Molla used a PowerPoint presentation to guide his remarks to the committee.
  - His presentation covered the UUA's policies on compensation and an analysis of the fairness of the compensation structure.
  - Benchmarks for setting the compensation structure come from Comp Data Non-Profit Survey, Non-profit Employment trends Survey, GuideStar and the US Bureau of Labor Statistics to name a few.
  - There was a discussion of the move toward regional structure where there is much more transparency. This is highlighting some inequity in pay for people doing very similar work.
  - Molla discussed the issue of gender equity. There are gaps and the UUA is working to close these. He is pleased that we are moving towards ending co-employment, which has always been a concern.

### **4. Chair's report – Key**

- Audit committee's report to the Board of Trustees.
  - This is the 3<sup>rd</sup> year in a row that the committee has presented the results of the audit in this format. There were no questions from the board.
  - Key is pleased with the work of our audit firm.

- Internal audit/risk management function
  - The committee will continue to discuss institutional risks and with how they are being managed. He believes we may need to consider internal audit consultants.
- GA Workshop
  - The committee has applied to the Program Committee to present a governance workshop at the upcoming General Assembly in Louisville. We have not been notified if we've been approved for a slot.
- Report back on board's action on monitoring report recommendations from committee.
  - Board has accepted the modified monitoring approach recommended by the committee that puts some of the reports on a three-year cycle.

#### **5. Other Items - Brody**

- **Proposal for review of consulting and outsourced services arrangements**
  - Brody proposed that the audit committee make a recommendation that a policy be created to direct that consulting arrangements be subject to a periodic review. The committee was supportive of this approach.
    - *Action item 1: Dan will prepare a recommendation to the board for review by the committee.*
- **Change in board liaisons**
  - Board has decided to reduce the number of liaisons to the committees since the board is being reduced to 13 members.
  - Some concern was expressed about reducing the connection of the board to the audit committee.

#### **6. Risk management in IT – Mark Steinwinter (Agenda attached)**

- Mark Steinwinter, director of Information Technology at the UUA, made a presentation to the committee on risk management in IT.
- Steinwinter covered such topics as system redundancy, protection of sensitive information, developing a disaster recovery plan, compliance with state regulations and industry standards on credit cards, and vulnerability to hacking.
- Concern was expressed about insurance: does our general liability policy cover a breach of secured personal data or do we need cyber insurance.
  - *Action item 2: Tim will verify if our current general liability covers us or if we should look into cyber insurance.*

#### **7. Risk assessment – Brennan**

- **What does the global focus on risk and governance suggest for religious organizations or not-for-profits generally?**
  - Brennan priority issues for system improvement including: endowment software, management of restricted gifts, reducing reliance on spreadsheets, sales tax, document retention and destruction, and online banking.
    - *Action item 3: Determine if the bank protects against loss arising from use of electronic banking and ACH transfers.*
  - Looking at the COSO framework for risk assessment.
    - Key notes that COSO is a good assessment tool but not a good implementation tool. He suggests we look into ISO3100.
    - Discussions will continue on this topic.