

UUA Audit Committee
Monday, May 2, 2011
Rice Room
Picket & Eliot House
Boston, MA 02108

MINUTES

Members present – Chris Reece (via conference phone), David Friedman (Board Liaison), Jim Key, Carol Gable, Dan Brody (UUA Financial Advisor)

Staff – Tim Brennan, Rachel Daugherty, Karen Wheeler

Tofias – Mike Burns, Merrill Puopolo

1. Minutes

Motion: to approve minutes from the January 2011 meeting: Brody moves, approved.

2. CFO Update - Brennan

- Brennan and Wheeler presented and reviewed a memorandum detailing responses to the management recommendations presented by Tofias in November 2010. Most items have already been addressed or are in the process of being addressed.
- The auditors and UUA's legal counsel have recommended considering setting up the UUCEF as a separate legal entity from the UUA in order to provide additional security to the congregations that entrust their endowments to the Association. The plan is to consult with legal counsel and the auditors about alternative structures and to consult with the Investment Committee.
- Chart of accounts – Wheeler reported that the new chart of accounts, which incorporates project codes, will be implemented starting July 1 for the new fiscal year.
- Adaptive Planning (AP) – Wheeler reported that this online budgeting and reporting tool will enhance the budgeting process significantly. AP enables budget managers, no matter where they are located, to enter data directly into the system, thus eliminating the rekeying of data into multiple spreadsheets. It should both streamline the process and reduce errors. The system also provides a reporting function that will be used for monthly reports and quarterly forecasts. Brennan commended Wheeler for implementing the new chart of accounts and budgeting software, and especially for the way she has brought the staff along and solicited their input. There will be a formal training for budget managers to help them transition to the new system.
- Carryover balances – As previously discussed with the committee, certain restricted ministerial aid funds have distributed more to the current operating section than was actually spent, thus creating “carryover balances.” In order to move these funds back into the Endowment Fund until they are needed and where they will be invested for long-term returns, the Board of Trustees approved the transfer of certain unrestricted endowment funds to the funds restricted for ministerial aid. Thus, by the close of the fiscal year, all carryover balances in the current operating section will be eliminated and the restricted fund balances will be increased by a like amount. In the future, only an amount equal to the amount spent in a given year will be released to the operating fund.

4. Presentation of FY11 audit plan – Burns, Puopolo

- Mike Burns and Merrill Puopolo of Tofias explained their plan and approach for FY11 audit
- New pronouncements impacting this year:
 - Enhanced fair value disclosures of investments:
 - Disaggregation of assets and liabilities presented in the fair value tables
 - Enhanced disclosures regarding the valuation techniques used for level 2 and 3 instruments
 - Disclosure of significant transfers among levels 1, 2, and 3 and the reasons for the transfers
 - Accounting for not-for-profit business combinations – this will not affect the UUA audit
- The committee discussed who should sign the engagement letter between the UUA and the audit firm. Burns says the most conservative approach is for both the Audit Committee chair and the CFO to sign it, but typically it's just the CFO who signs. The Audit Committee will discuss whether or not there should be dual signatures on the engagement letter in the future. In the past the committee has approved the engagement and the CFO has signed the letter.
- At the fall meeting there will be an executive session to evaluate the auditors' performance.
- The committee discussed starting an internal audit function. The committee would identify one or two areas of risk to examine in depth each year. Key suggests focusing on program assurance. How to know if what we do works?

5. Executive Session

6. Audit Committee Charter

- Key circulated a second draft of proposed revisions to the committee charter and asked committee members to review it and give him comments. Committee members voiced approval of the changes proposed by Key.
- Key would like to have a discussion at a future meeting of UUA employment practices and compensation. It was suggested that a presentation from the UUA's HR director, Rob Molla, and EVP Kay Montgomery would be useful. The question is: How do we operationalize our values? It was requested that the committee convey their questions to staff in advance so we can be sure that the specific concerns of the committee are addressed.

Motion: That the Board of Trustees approve the revised Audit Committee charge subject to Key's consultation with Kay Montgomery. Moved: Gable; motion approved.

7. Conflict of Interest Policy - Brody

- Brody reported that Larry Ladd, chair of the Nominating Committee, circulated the Conflict of Interest policy to members of the Nominating Committee and didn't get any responses. Brody added a definition of "close relationship" and a definition of "conflict of interest".

Motion: To recommend to the UUA Board of Trustees that they approve and adopt the revised version of the Conflict of Interest policy. Moved: Brody, approved.

8. Document Retention Policy

- Brennan presented a comparative analysis of document retention policies from several sources with his recommendations for the UUA's policy. The purpose was to get feedback from the Committee, but not to ask for approval. Under board policies, the document retention policy is the responsibility of the president.
- Brennan commented that this policy is really focused on the finance functions. Other departments, and in particular Ministry, may want to develop their own document retention policies.
- It was suggested that certification of scheduled document destruction after expiration of the retention period is an important part of the process.
- The committee expressed support for the policy and the work that went into preparing it.

9. Upcoming meetings

- The next meeting of the committee will be in person in Boston on Thursday, November 3, 2011 starting at 10:00am.
- The committee will report to the Board of Trustees on the results of the audit in a conference call on November 17, 2011 at 8:00 pm.
- Meeting by conference call on February 6, 2012 at 3:00pm
- In-person meeting on May 7th, 2012 starting at 9:00am