

UUA Audit Committee – Minutes

24 Farnsworth Street, Room 210
Boston, MA 02210
November 4, 2019

Members present: Chris Chepel, Chair, Mary Byron, Judy Kleen and Lucia Santini-Field

Member absent: None

Staff: Jason LeBeau, Carey McDonald, Andrew McGeorge, Richard Nugent, Jim Sargent

Tofias: Mike Burns, Cheryl Cadle, Merrill Puopolo

RSM: Jackie Anderson (via zoom), Megan Cassidy, Greg Natalucci

UUA EBT Board: Karin Ferguson, Barbara Johnson, Chair, Tom Loughrey, John Vogt, Mike Wagner,

1. Minutes – Chepel

Motion 1: to adopt minutes from the April 1, 2019 meeting: moved by Chepel, seconded by Santini-Field, Kleen abstained (new member), all others approved.

2. UUA Health Plan Audit Report – Cassidy, Natalucci

- Audit is substantially complete; waiting on SOC1 report from Highmark and for lag report of claim payments made through October 31st for claims incurred prior to June 30, 2019.
- Following up with a handful of congregations to either return their confirmation, clear up response discrepancies or obtain additional information for incomplete confirmations.
- Discussed a discrepancy between Highmark and CDS, employees were properly and timely enrolled, but premiums weren't being deducted. Ongoing research to identify where the error occurred.
- Prepared to issue a clean or unmodified opinion.
- Fairly stated in all material respects in relation to the plan's consolidated financial statements.

Motion 2: To recommend to the Employee Benefit Plan Trustees accept the report of the auditors. Moved by Byron, seconded by Santini-Field, all approved.

Action item 1: McGeorge and Santini-Field to hold a SOC1 review training with Linda Rose; Phil Murray to be invited to join.

3. Enterprise Risk Management: UUA Health Plan – Sargent

- Milliman used the same framework as the National Association of Insurance Commissioners (NAIC) in determining what level of surplus is appropriate. NAIC sets risk-based capital (RBC) as the foundation which sets the target surplus levels that reduce the likelihood of financial ruin for an insurer.
- The RBC for programs like the UUA Health Plan is about 5% of one year's premiums. The UUA's target of 4 months of premium is approximately 670% of RBC.
- The current health plan unrestricted surplus is \$5.6 million.
- Largest risk for plan is designer or gene-based prescription drugs; prescription drugs are included in stop loss coverage.

4. UUA & UUCEF Audit Report – Burns, Cadle, Puopolo

- Both received clean or unmodified opinions.
- Both fairly stated in all material respects in relation to the organization's consolidated financial statements and supplemental information.
- No audit adjustments were necessary.
- Financial disclosures are neutral, consistent, and clear.
- Review of revenue recognition showed no instances of fraud or illegal acts, no material uncertainties, and no significant change to the planned scope or approach were required.
- For additional due diligence; performed a search for undisclosed related party transactions to ensure all related party transactions were appropriately disclosed. No matches between key employees at major vendors and the UUA or its Board of Trustees were found,
- New not-for-profit financial statement standards were adopted; this had no impact on operating results but did impact classification of net assets.
- Donor advised funds are now recorded as pledge contributions based on IRS Notice 2017-73.
- Discussed and reviewed new Consolidated Statement of Functional Expenses report.
- Discussed breaking out the Programs column of the Consolidated Statement of Functional Expenses report into our three mission-based categories.
- Discussed reporting changes upcoming in 2020 and 2021.

Action item 2: Tofias to remove “non-staff” from the Travel and Entertainment line of the Consolidated Statement of Functional Expenses as numbers represent both staff and non-staff.

Action item 3: Tofias to tighten up language in Notes 3 and 9 regarding the line of credit and include that we're in compliance with our financial and nonfinancial covenants.

Action item 4: Tofias to change the first line of paragraph one Note 11 to state that Black Lives UU is an organization that the UUA provided fiscal sponsorship for, strike last two lines of same paragraph and, in paragraph 3, strike “separate agreement”, change “in January 2018” to “incorporated” and strike “the Association would donate”.

Action item 5: In Note 11, Program Expenses, change Multicultural growth and witness to Justice Organizing Strategy.

Action item 6: McDonald to send the orientation materials for new board members to the full committee.

Motion 3: To recommend to the UUA board of trustees the acceptance of the audit reports with modifications discussed. Moved by Chepel, seconded by Byron, all approved.

5. Enterprise Risk Management: Emerging risk issues – McDonald

- Discussed diversity, inclusion and equity as an enterprise risk.
- Reviewable risk mitigation strategies and/or benchmarks and data that could be used and ensuring the expertise to monitor it are in place are crucial. Some current benchmarks/data that could be used are:
 - i. The annual culture assessment addressing staff experiences.
 - ii. The EEO Policy reporting requirements including our additional internal assessment questions.
 - iii. Ensuring that we have good policies in terms of hiring and creating a code of ethics.
- A clear understanding of the recommendations of the Commission on Institutional Change and where the implementation and oversight lie are needed.
- Commission's recommendations will be reviewed at the February meeting.

Action item 7: All members need to actively work on identifying skills needed and potential recruits for the committee.

Action item 8: Byron to invite Leslie Takahashi, Chair of the Commission on Institutional Change, to join the committee at its February meeting.

Action item 9: McDonald to provide to the committee, a copy of the employees, committee members and, Board members who have completed the Conflict of Interest disclosure.

6. Enterprise Risk Management: Data security & Cyber Attack – loss of personal or financial data - Steinwinter

- Reviewed ITS strategic security project plan covering the next three years.
- Reviewed and discussed the causes of data breaches as reported by the 1,263 organizations in this year's study sponsored by McDermott, Will & Emery.
- Recruiting for a data protection team is underway. A member of the Audit Committee would like to be present at the kickoff meeting.
- An Apple management system was selected and installed allowing for a standard setup for all new MAC's.
- To date, have completed the upgrade on 38 out of 40 of our physical and virtual servers to the latest Windows Server operating system.

- Will be trained on a system that will support management of all devices that attach to our network, including phones and tablets.

**Next Meeting:
February 10, 2020**