The meeting was called to order at 4:29 p.m.

There were present:

**Committee Members:**
- Hon. Peter S. Pantaleo, Chair
- Hon. Philip A. Berry
- Prof. Terrence Martell, faculty member

**Ex-Officio:**
- Hon. Benno Schmidt

**Observers:**
- Hon. Valerie L. Beal
- Hon. Carol A. Robles-Roman
- Hon. Barry F. Schwartz
- Hon. Muhammad W. Arshad

**University Staff:**
- Chancellor James B. Milliken
- Executive Vice Chancellor and Chief Operating Officer Allan H. Dobrin
- Senior Advisor to the Chancellor for Fiscal Policy Marc V. Shaw
- Vice Chancellor Matthew Sapienza
- Chief Investment Officer Janet Krone
- University Controller Leonard Zinnanti
- University Deputy Controller Miriam Katowitz

**Trustee Staff:**
- Senior Vice Chancellor and Secretary of the Board Jay Hershenson
- General Counsel and Senior Vice Chancellor Frederick P. Schaffer
- Deputy to the Secretary Hourig Messerlian
- Mr. Steven Quinn

The agenda items were considered in the following order:

I. **ACTION ITEMS:**

   A. **APPROVAL OF THE MINUTES OF THE MEETING OF FEBRUARY 3, 2014.** The minutes were approved as submitted.

   B. **POLICY CALENDAR**

      1. **FY2014 Audit Scope and Engagement Letter.** Committee Chair Peter Pantaleo asked that the Committee approve the Audit Scope and Engagement Letter.

         Following discussion, this item was approved.

      2. **Engagement Letter for the Queens College Dorm bond offering upon procedures audit work.** Committee Chair Pantaleo asked that the Committee approve the Engagement Letter for the Queens College Dorm bond offering agreed upon procedures for public work.

         Following discussion, this item was approved.
II. INFORMATION ITEMS:

A. FY2013 Management Letter

***PRESENTATION BY SHELLY MASI, PARTNER, AND JOHN SPIEGEL, SENIOR MANAGER, KPMG***

In response to a question from Committee Chair Pantaleo, Ms. Shelly Masi confirmed that KPMG’s subcontracting of the firm of Watson Rice to assist with the audit process is pursuant to a state law designed and intended to secure public procurement engagement in businesses, and it was an RFP requirement.

In response to a question from Chairperson Benno Schmidt, Ms. Masi stated that KPMG has no concerns about the University’s internal controls. Actually, on the A-133 side, which is the internal controls over Federal awards there have been no findings for the last two years.

In response to another question from Chairperson Schmidt, Ms. Masi stated that KPMG audits the senior colleges, but they do not audit their foundations. KPMG utilizes the reports from separate auditors, depending on how that foundation is structured with respect to the University, on whether or not KPMG would audit both. There are other universities where KPMG audits the foundations as well, because such foundations have separately engaged for this to be done. KPMG is not being engaged by the University to conduct its foundations’ audit; the foundations are actually conducting the audit. Ms. Masi added that University Deputy Controller Miriam Katowitz and her staff provide oversight to foundation auditors with regard to how they roll up into the University’s financial statements.

Chairperson Schmidt stated that he was personally rather uncomfortable with the fact that the Board of Trustees seems to lack oversight over the activities of the various college foundations, which in some cases are substantial sources of funding. It is a worrisome situation that those foundations are technically independent, because they do represent a significant portion of the University’s operating budget resources. This Committee needs some advice about this situation, because of the Board of Trustees fiduciary responsibility, that perhaps ought to include oversight of these foundations. He asked whether KPMG has experience with this kind of set up on other campuses and do they have an overall view that they could provide about what the Board’s responsibility is and not just in terms of its fiduciary responsibility, but regarding the management of University resources to make sure that CUNY is getting the best use out of the money it spends.

University Deputy Controller Katowitz stated that CUNY utilizes the KPMG’s financial statements, to pick up unit numbers and mapping them into the actual general ledger in order to do the different consolidations of the discreetly presented units. CUNY has reviewed these audited reports to make sure that they are employing auditors who have the skill set to do the audits of a not-for-profit foundation.

Committee Chair Pantaleo stated that because the college foundations are independent and they have been empowered to hire their own auditors, and their resulting numbers are rolled into the University’s audit, and while there is substantial but not a complete review by the Central Administration, Chairperson Schmidt has raised a very important Board level governance issue as to who really holds responsibility. CUNY appears to, in the dark reaches of history, to have reached the conclusion that it was more advantageous to have the foundations as separate governance entities. If that is going to be changed, there are probably some good reasons why the University will look at that.
Vice Chancellor Matthew Sapienza stated that this Committee will bring the foundation audits and any other issues back to the table when the completed audited financial statements are presented in the fall.

In response to a question from Trustee Barry Schwartz, General Counsel and Senior Vice Chancellor Frederick Schaffer stated that a number of years ago, the University formed a CUNY-wide task force relating to the foundations with some outside assistance and came up with a book on best practices, and a separate book on the financial matters vis-à-vis the University and the college foundations. He proposed to provide members of the Committee with these materials to start a conversation on whether it would be appropriate to have another look. The foundations were all exceedingly cooperative and grateful for the effort. Among the results of the task force review were memoranda of understanding between the foundations and the University on various issues. So the University has looked at this and at least at one point in time felt comfortable with the results, but these things always bear looking at again from time to time.

Trustee Beal recalled that there were some campuses that were in compliance and some campuses that were not in compliance, but she does not remember the Committee receiving a recent update on particularly those colleges that were not in compliance. She added that General Counsel and Senior Vice Chancellor Schaffer’s suggestion of reviewing this matter is appropriate.

Committee Chair Pantaleo stated the firm used to subcontract is Watson Rice and he would like to welcome them to the CUNY team.

The meeting was adjourned at 4:46 p.m.