

BOARD OF TRUSTEES
THE CITY UNIVERSITY OF NEW YORK

SUBCOMMITTEE ON
AUDIT

MINUTES OF THE MEETING
JANUARY 26, 2011

The meeting was called to order at 5:34 p.m.

There were present:

Committee Members:

Hon. Peter S. Pantaleo, Chair
Hon. Rita DiMartino
Prof. Terrence Martell, faculty member
Hon. Cory Provost, student member

Trustee Staff:

Senior Vice Chancellor and General Counsel
Frederick Schaffer
Deputy to the Secretary Hourig Messerlian
Mr. Steven Quinn

University Staff:

Chancellor Matthew Goldstein
Executive Vice Chancellor and Chief Operating
Officer Alan Dobrin
Senior Vice Chancellor Marc V. Shaw
Associate Vice Chancellor Matthew Sapienza
University Controller Barry Kaufman
University Deputy Controller Miriam Katowitz
University Assistant Controller Thomas Zhou

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The agenda items were considered in the following order:

I. INFORMATION ITEMS:

A. Presentation of the 2010 Audit of the University's Consolidated Financial Statements and 2010 Management Letter

Shelly Masi, Partner, KPMG, and Irene Crasto, Manager, KPMG, presented the required communications and the audit results from the presentation dated January 26, 2011.

In response to a question University Controller Kaufman confirmed that the changes to the Board structure at the Macaulay Honors College have resulted in independent governance resulting in the change in reporting entity.

In response to a question Ms. Masi of KPMG stated that financial reporting for intangible assets under GASB statement 51 did not involve a reclassification of existing assets as the recorded assets were newly generated this year.

In response to several questions, Ms. Masi of KPMG stated that, under the new GASB Statement 53 reporting requirements, derivative swaps are treated as either effective or not, there is no ineffectiveness going through other comprehensive income. One of the main differences between the FASBs and the GASBs, is that under GASB it is either all effective or ineffective, while under FASB it can be partially effective.

In response to a question, University Assistant Controller Zhou stated that the \$4.23 million in deferred inflows is actually in the positive, as it was an offset hedge.

In response to a question, Committee Chair Pantaleo stated that the \$5 million audit adjustment related to the City University Construction Fund (CUCF) was due to CUCF over-recording tuition revenue sent to the City and then correcting the number downwards, not due to overpayment.

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In response to a question Ms. Masi of KPMG stated that materiality is a matter of professional judgment. Materiality is something that is considered throughout the entire audit and is different at different levels. Because the University is not a for-profit, materiality is not driven by net earnings or net loss as it is in the public companies. It is generally derived off of either total assets or total revenues or total expenses.

In response to a question, Ms. Masi of KPMG stated that the staged adoption of the PeopleSoft system is common practice and that no issues of note were found during the audit relating to the intermediate stage of adoption.

In response to a question, Ms. Masi of KPMG stated that the "overall heightened sense of awareness" maintained by KPMG in relation to the consideration of fraud in a financial statement is standard practice and not indicative of any special concerns.

In response to several questions, Committee Chair Pantaleo stated that the difference between the beginning of the year and end of the year cash flows is a timing difference. The cash flow situation at the end of this audit was more or less the same as at the beginning of the audit.

In response to a question University Controller Kaufman confirmed that adequate staff and resources in the office of the University Controller are in place to ensure that audit statements are appropriately prepared.

Louis J. Mezzina, Partner and National Practice Director, KPMG, presented the top ten agenda items that audit committees are focusing on.

The meeting was adjourned at 6:25 p.m.