
SUBJECT: Risk Management and Audit Committee Meeting Report for May 31, 2023

The committee met on May 31, 2023 in accordance with the General Laws of the Commonwealth of Massachusetts, Chapter 30A and An Act Relative to Extending Certain State of Emergency Accommodations, which, among other things, extends the expiration of the provisions pertaining to the Open Meeting Law to March 31, 2025. Specifically, this extension allows public bodies to continue holding meetings remotely without a quorum of the public body physically present at a meeting location, and to provide "adequate, alternative" access to remote meetings. All votes taken during this meeting were by roll call vote.

Present for the Committee: Trustees Russell (chair), Morales (vice-chair), Lampassi, Mattera; President Keenan (ex-officio), Vice President House (committee co-liaison), Associate Vice President Labonte (committee co-liaison), and staff associate Beaulieu.

Trustee Russell, committee chair, called the meeting to order at 5:07 pm.

FY23 audit entrance discussion and GASB 96 (Attachment A, B)

David DiIulis and Zachary Laflash, audit partners of Withum, discussed the recent merger of O'Connor & Drew with Withum; timing and approach of the university's FY23 audit; and implementation of the GASB 96 accounting pronouncement. As part of standard procedures when beginning an audit, trustees were encouraged to reach out to either David DiIulis or Zachary Laflash regarding any fraud or allegations of fraud or other questions or concerns regarding the annual audit.

There being no other business a motion was made to adjourn.

Trustee Morales **MOVED** that the Risk Management and Audit Committee meeting adjourn **SECONDED** by Trustee Mattera.

Voting in the affirmative: Trustees Lampassi, Mattera, Morales, Russell

Voting against: None

The meeting adjourned at 5:20 pm.

Prepared by D. Beaulieu, staff associate, finance and facilities

Salem State University

Audit Meeting- May 31, 2023

Key Audit Staff

- David A. DiIulis, CPA – Partner
- Zachary Laflash, CPA- Partner
- Andrew Martins, CPA- Supervisor
- Steven J. Cohen, CPA- Technical Review Partner
- Lauren Carnes, CPA- Tax Partner

Current Year Topics

- About Withum
- Timing of Audit
- Audit Approach
- Accounting Pronouncements

About Withum

- 24 Office Locations in the United States
- Two international offices (Cayman Island and India)
- 2,200 team members, over 730 CPAs, and 275 Partners and Principals

Timing of Audit Planning/ Fieldwork

- Internal Control/ Systems Testing **Week of May 30th**
- Uniform Guidance Testing **Week of July 24th**
- Start of Audit Fieldwork **Week of August 1st**
- End of Audit Fieldwork **August 31st**
- Review and Acceptance of Financial
and Uniform Guidance Reports
by RMA Committee **October 11th**

Audit Approach

- Internal Control Systems Testing:
 - Cash disbursements
 - Student revenue & cash receipts
 - Payroll- walkthrough
 - General journal entries
- Uniform Guidance Fieldwork:
 - Student Financial Aid
 - Single Audit Compliance Testing
 - Any additional required Federal Programs
- Audit Fieldwork:
 - Risk based audit of June 30, 2023 financial statement account balances based on results of interim control testing.

New GASB Pronouncement

GASB Statement 96 – *Subscription-Based Information Technology Arrangements (SBITA)*, is effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for transactions in which a governmental entity contracts with another party for the right to use their software. A right-of-use asset and a corresponding liability would be recognized for SBITAs.

- SBITA- defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.
- Subscription term includes:
 - Noncancellable right to use the underlying IT assets.
 - Total term longer than 12 months.
- Initial Measurement (at the commencement of the subscription term recognize:
 - Subscription liability
 - An intangible right-to-use asset

New GASB Pronouncement

- Subscription term excludes:
 - Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in GASB 87, Leases, in which the software component is insignificant when compared to the cost of the underlying tangible capital asset
 - Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs
 - Contracts that meet the definition of a public-private and public-public partnership GASB 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
 - Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software, which are subject to Statement No. 51, Accounting and Financial Reporting for Intangible Assets, as amended

Questions/Concerns

Other items to be discussed which might have an effect on the annual audit-

- Fraud or allegations of fraud

- Settled, pending or threatened legal action

Other questions/concerns regarding the annual audit

GASB Statement No. 96

Subscription-Based Information Technology Arrangements (SBITAs)

Salem State will implement GASB Statement No. 96 in its upcoming financial statements. Modern organizations, including governmental entities, utilize the cloud and obtain many IT services via subscription. Previously, subscription payments for such services were simply expensed. The GASB issued GASB Statement No. 96 to standardize and regulate accounting and disclosure around this topic, to ensure that the full picture of a government entity's obligations is presented to users of the financial statements. Some excerpts from GASB 96 Statement are below:

- Establishes accounting guidance for subscription-based information technology arrangements (SBITAs)
- Defines a SBITA as a "contract that conveys control of the right to use another party's (an SBITA vendor's) information technology software, alone or in combination with tangible capital assets". (This definition almost mirrors* the definition of a lease under GASB 87 and thus SBITAs effectively meet the definition of a lease per GASB 87).
- Effective for periods beginning after June 15, 2022 (FYE 2023)
- A SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability.
- Provides for the capitalization criteria for outlays other than subscription payments, including implementation costs of an SBITA and financial statement notes disclosures regarding a SBITA.
- Some examples of SBITAs:
 - Cloud based ERP systems
 - Online conferencing (e.g., Zoom)
 - Online payment tools (e.g., TouchNet)
 - Cloud based data storage

To determine if a SBITA is in scope for GASB 96 depends on the underlying assets involved

- IT software only – Then GASB 96
- Tangible IT asset only – Then GASB 87
- Combination of IT software and tangible IT asset
 - If the software component is insignificant compared to the tangible IT asset – Then GASB 87 applies
 - If not – Then GASB 96 applies

* Key difference is that GASB 96 solely provides guidance for users of IT software and it does not apply to insignificant costs, when compared to the tangible capital asset.