

UNIVERSITY OF MASSACHUSETTS
AMHERST•BOSTON•DARTMOUTH•LOWELL•WORCESTER

**MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE**

Tuesday, May 24, 2005; 1:30 p.m.
Library Reading Room
University of Massachusetts
285 Old Westport Road
North Dartmouth, Massachusetts

Committee Members Present: Chair White

Committee Members Absent: Vice Chair Boyle; Trustees Dubilo, Fey and McCarthy

University Administration: Vice Presidents Julian and Lenhardt; Mr. Harrison, Director of Auditing; Ms. Wilda, University Controller; Mr. O’Riordan, Budget Director; Vice Chancellors for Administration and Finance Hatch, O’Connor and Zekan; Deputy Chancellor Stanton

PricewaterhouseCoopers: Mr. Paul Hanley, Engagement Partner

Chair White convened the meeting at 1:55 p.m.

Mr. Harrison, Director of Auditing indicated that in addition to today’s action items, Paul Hanley, Engagement Partner from PricewaterhouseCoopers, will report on the 2005 University’s Financial Statement Systems Review; and Christine Wilda, University Controller, will report on internal controls for the central office and all five campuses.

Mr. Harrison then summarized the audit related activity in process throughout the University’s five campuses and central offices. Mr. Harrison discussed the nature of the many reviews that are either initiated by the Internal Audit Office, requested directly by a campus, specifically contracted to external audit firms due to external oversight agency requirements. He also reported on the reviews by the Office of the State Auditor and federal audit agencies.

Mr. Harrison then reported on the Informational Item, **Other Audit Subjects Completed this Quarter and In-Process Activity.** The Federal Report of the U.S. Small Business Administration made its final report on the Amherst campus Development Lead Center as well as other centers throughout the Commonwealth. The SBA determined that all of the organizations are committed to the Lead Center.

All five campuses and the President’s Office successfully completed the annual implementation of the Fraud Policy. Data security and computer uses have been added to the policy.

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The next two items for action were **Operational Review of the Parking and Transportation Trust Fund, UMASS Boston** and **Operational Review of Continuing Studies and Corporate Education, UMASS Lowell**. Mr. Harrison reported that an audit of the Parking and Transportation department at UMASS Boston was initiated at the request of the Campus Controller and the Vice Chancellor for Administration and Finance. The fund is going through management transition. The review focused on the evaluation of the systems of financial internal controls.

Chancellor Hogan from the Lowell campus requested the Operational Review of Continuing Studies and Corporate Education. The review focuses on the financial business and enrollment functions of Continuing Studies and Corporate Education as the operations and services move to the offices of the Vice Chancellor for Administration and Finance.

Chair White indicated that given the absence of Committee members a vote on the Operational Review of the Parking and Transportation Trust Fund, UMASS Boston and the Operational Review of Continuing Studies and Corporate Education, UMASS Lowell, will not be taken.

The next item for action was **Revisions to Audit Committee Charter**. Mr. Harrison explained the minor revisions made necessary due to the formation of this separate Audit Committee.

Chair White indicated that given the absence of Committee members a vote on the Revisions to Audit Committee Charter will not be taken.

Mr. Hanley then reported on **PricewaterhouseCoopers – Fiscal Year 2005 Audit Scope**. The objective of the Audit Scope is to provide the University with cost efficient audits, of the highest quality and exceptional client service. The audits are directed towards delivering independent opinions and reports that provide additional credibility to external financial information released by the University; provide assistance to the Trustees in discharging their corporate governance and compliance responsibilities; and provide observations and advice on financial reporting and business issues from senior professionals.

The scope of the audit will submit a report on the University's financial statements for the year ending June 30, 2005, and provide recommendations regarding the internal control structure with respect to financial reporting and its operation that are intended to help the University make improvements and achieve operational efficiencies.

The areas of emphasis will focus on federal regulatory compliance for research institutions, particularly on academic medical centers and in the areas of time and effort reporting and sub-recipient monitoring; and consolidation of the University administrative offices and the centralization of technology systems.

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The risk based audit approach focuses on key financial and compliance risks within the University. Such areas include: public interest tax-exempt for outstanding debt; federal and state grants receivable; selection of assumptions for determination of liabilities for compensated absences; and depreciation for property, plant and equipment.

Under the client service team, Ms. Dorian Gregory, Engagement Senior Manager, from PricewaterhouseCoopers is on sabbatical leave until the end of June. The client service team will work with the University throughout the year to provide a timely, responsive service.

The next item was **Update on Internal Control Initiatives**. Ms. Wilda, University Controller, reported on the current initiatives to document internal control plans for the central office and all campuses, as well as her collaboration with the internal auditor in developing a high-level department-wide risk assessment.

Chair White then indicated that he would move and second the **Operational Review of the Parking and Transportation Trust Fund, UMASS Boston (Doc. T05-027), the Operational Review of Continuing Studies and Corporate Education, UMASS Lowell (Doc. T05-028) and the Revisions to Audit Committee Charter (Doc. T91-100)**. These items will be voted on at the next meeting of the Committee.

Chair White announced that Mr. Harrison will be hiring two staff members in the Internal Auditing department. He then announced the passing of Chancellor MacCormack's father last night.

The meeting adjourned at 2:33 p.m.

Zunilka Barrett
Staff Associate