

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

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

Wednesday, February 14; 10:00 a.m.
Amherst Room
225 Franklin Street – 33rd Floor
Boston, Massachusetts

Committee Members Present: Vice Chair Manning; Vice Chair Boyle and Rego Weathers (via conference call); Chair Tocco

Committee Members Absent: Chair McCarthy, Trustee O’Shea

University Administration: President Wilson; Interim General Counsel Bench; Vice Presidents Lenhardt, Gray and Julian; Chancellors Lombardi, Collins, MacCormack and MacKenzie; Mr. Harrison, Director of Internal Audit; Mr. Jedras, Senior Internal Auditor; Ms. Wilda, University Controller; Vice Chancellors for Administration and Finance Hatch, O’Connor, Zekan and Griffin; Deputy Chancellor Stanton

Faculty Representatives: Professor Gibbs, UMASS Dartmouth

PricewaterhouseCoopers: Mr. Paul Hanley, Engagement Partner; Ms. Melissa Palmer, Senior Manager

In the absence of Chair McCarthy, Vice Chair of the Board Manning convened the meeting at 10:22 a.m.

The first item on the agenda was **Consideration of Minutes of the Prior Meeting of the Committee.**

It was moved, seconded and

VOTED: To approve the minutes of the November 1, 2006 meeting of the Committee.

Trustee Manning reported on today’s proceedings including a brief summary report from the Director of Internal Audit, Robert Harrison. Our general Audit Firm, PricewaterhouseCoopers represented by Paul Hanley and Melissa Palmer will discuss the annual audit of our Federal Financial Assistance Programs and present the annual Letter to Management regarding Accounting and Operating Controls.

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The next item was the **Report by the Director of Internal Audit**. Mr. Harrison reported that in addition to Mr. Hanley and Ms. Palmer from PricewaterhouseCoopers, he invited Mr. Jedras, Senior Internal Auditor who will report on the last phase of the Business Resumption Planning reviews for the Report on Emergency Preparedness.

Mr. Harrison provided the Committee with an update on several requests made by Chair Tocco at the last meeting of the Committee: the long range Audit Plan was re-distributed to all Board members; Mr. Jedras will report on the Emergency Preparedness Review; and Vice President Lenhardt will provide an update on the newly-formed Risk Management Group. He also reported that two Staff Internal Auditors have been hired and are already involved in a number of field audit projects.

The campuses and the President's Office Administration have been instructed to issue annually to employees the Trustee Fraud Policy, and reminders on related conflict of interest laws, principles of employee conduct, and the data and computing use guidelines. A request will be made for bid proposals for internal audit support services for fiscal years 2008-2010.

Mr. Harrison then provided an update on the Quarterly System-wide Audit Activity Summary including audits contracted with outside firms and projects by the Office of the State Auditor and Federal audit agencies. He also indicated that four informational items were sent to the Committee members prior to the meeting. These included issues involving the misuse of the University Purchase Credit Card by employees, the U.S. Small Business Administration review of the Small Business Development Center, and the State Auditor's Office review of the Department of Corrections contract with the Medical School.

The Committee then considered the **Fiscal Year 2006 Federal Financial Assistance Review per OMB Circular A-133** and the **Annual University Management Letter**. Mr. Hanley stated that the 2006 Audit went well and that the University continues to make strides in its financial reporting and internal controls.

Ms. Palmer briefly reported on the Auditor's Report on Compliance and Internal Control over financial reporting. Auditors recommended a monthly reconciliation of cash reviewed by someone outside of Treasury, and that variances be resolved timely; and better communication so that the University's securities lending transactions are not appearing improperly in the financial statements; controls have been put into place for many of the findings in the Report. President Wilson indicated that he will discuss with the Chancellors as to the recommended timeframe and frequency of closing the books; Chair Tocco indicated that it take place at least biannually. President Wilson also announced that the internal audit department will report directly to his office.

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Mr. Hanley then reported that the Fiscal Year 2006 Federal Financial Assistance Review - OMB Circular A-133 Audit is an annual review of our Federal Grants and Contracts. The scope of the Audit is on the University's Administration and compliance with requirements applicable to various programs. There were nine cases of immaterial non-compliance on the campuses. This is a great improvement over previous years.

It was then moved, seconded and

VOTED: To recommend that the Board accept the following Audit reports:

1. OMB Circular A-133 Report on Federal Financial Assistance (Doc. T07-013)
2. University's FY2006 Management Letter (Doc. T07-014)

Mr. Harrison provided a briefing on the **WFCR-FM & Friends of WFCR, Inc., Financial Report and Board Communication Letter, WUMB-FM Financial Report and Board Communication Letter and the Intercollegiate Athletic Programs, UMASS Amherst.** These contracted reviews are due to outside regulatory agency requirements. This year the Intercollegiate Athletic Programs at UMASS Amherst were reviewed by a new firm. This is also a year of transition with new NCAA audit agreed-upon procedures. Review of WFCR-FM at UMASS Amherst and WUMB-FM at UMASS Boston are required by the Corporation for Public Broadcasting.

Mr. Harrison reported that the internal system-wide review of Emergency Preparedness has concluded. The objective was to review the status of emergency preparedness at the President's Office and the five campuses for incidents, human-caused or natural which require responsive actions to protect life or property. The Disaster Recovery/Business Continuity Planning Review focused on information technology data disaster planning. He then indicated that these are two of the most important internal audit reports subjects that will come before the Committee.

Mr. Jedras then reported on the **Internal Audit Report on Emergency Preparedness.** This issue relates directly to post-9/11 environments specifically as it relates to the University's planning process in keeping its students and employees in a safe environment as well as restoring teaching and learning capabilities at the campuses after a crisis. It has been concluded that the University campuses have all undertaken steps to address emergency preparedness.

Mr. Jedras then summarized the observations related to the University's state of readiness in the areas of: emergency preparedness planning; command and control structure; communications; Committee and team coordinating efforts; awareness and distribution of plans; evacuation and transportation of personnel; testing of emergency procedures; emergency equipment; and training and personnel. He also provided a summary of the recommendations that will improve the status of emergency preparedness. The recommendations relate to:

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emergency preparedness planning; framework structure of plans; communications channels; common emergency vocabulary; practice of emergency procedures; accounting for University personnel; emergency information; internal resources; and risk analysis.

There was then a brief discussion on disaster recovery with respect to the recovery of data contained on individual desktops and laptops. To date University efforts have concentrated on University network systems and business programs. Although faculty have been urged to place their important data on the networks for disaster protection, many prefer to keep the data on individual computers. No effort has been made with regards to this in the context of the Disaster Recovery/Business Continuity Planning.

Chair Tocco then indicated that a live exercise is a key component to the University's Emergency Preparedness and suggested that a live exercise should be planned. He also indicated that the General Counsel's office should be involved in the emergency preparedness planning. Vice President Lenhardt indicated that meetings have taken place with the Risk Managers and Ms. Wilda the University Controller to discuss various scenarios and risk that could possibly arise.

It was moved, seconded and

VOTED: To recommend that the Board accept the following Audit reports:

3. WFCR-FM & Friends of WFCR, Inc., Financial Report and Board Communication Letter (Doc. T07-007)
4. WUMB-FM Financial Report and Board Communication Letter (Doc. T07-002)
5. Intercollegiate Athletic Programs, UMASS Amherst (Doc. T07-015)
6. Internal Audit Report on Emergency Preparedness (Doc. T07-003)

Trustee Manning adjourned the meeting. The time was 11:46 a.m.

Zunilka Barrett
Assistant Secretary to the Board