

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

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

Wednesday, May 30; 10:00 a.m.
Amherst Room
225 Franklin Street – 33rd Floor
Boston, Massachusetts

Committee Members Present: Vice Chair Boyle; Trustees Manning, O’Shea and Rego Weathers

Committee Members Absent: Chair McCarthy

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

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 Boyle convened the meeting at 10:20 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 February 14, 2007 meeting of the Committee.

The next item on the agenda was the **Chair’s Report.** Vice Chair Boyle reported on today’s proceedings including a summary report from the Director of Internal Audit, Robert Harrison and a follow up report from the last meeting regarding an initiative for an Anonymous Reporting Line.

Our general Audit Firm, PricewaterhouseCoopers represented by Paul Hanley and Melissa Palmer will discuss the Annual Audit Plan for Fiscal Year 2007.

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The next item was the **Report by the Director of Auditing**. Mr. Harrison reported that in addition to today's guests, Paul Hanley and Melissa Palmer, Chris Galica of the Internal Audit Staff will report on the Lowell campus Time and Labor Review.

He then reported on a number of informational items sent to the Committee members last week. These included four internal memos regarding cash counts at the Amherst, Boston, Dartmouth, and Lowell campuses that were performed in late March. The memos detailed unannounced surprise visitations to the Bursar's Offices, and are distributed to campus audit liaisons and administration and finance management. Also included was an internal memo regarding the response to a campus request addressing allegations of time and labor abuse; a copy of the annual notification of the Fraud Policy; a copy of a very high level department-wide risk assessment; and a study report on Cash Reconciliation.

Mr. Harrison noted that Ms. Galica will report on the final Labor Review for the Dartmouth campus at the next meeting of the Committee.

Mr. Harrison then provided an update on one of the Technology Reviews. Since the last meeting a vendor has been chosen and contracted to assess and identify security gaps and our vulnerability to intrusion. Collaboration with Vice President Gray, Information Technology Services, and the campuses is ongoing.

Mr. Harrison also 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.

The next item was the **Anonymous Reporting Mechanism**. Mr. Harrison indicated that Vice Chair Manning had asked about a fraud reporting line, and summarized an initiative to implement an Anonymous Reporting Mechanism/Confidential Hotline for Financial Related Issues. Internal Audit recommends having a hotline through a third party vendor, and seeks proposals via bid process and to implement the hotline by January 1, 2008.

There was question on the negative points of having a hotline. The hotline may have calls that are not applicable, may require close supervision, and we must make sure that the rights of the parties are protected. A request was made by the Committee to formulize the initiative for President Wilson to review.

The Committee then heard from our Audit Engagement Partner, Mr. Paul Hanley and Senior Manager Melissa Palma of PricewaterhouseCooperes regarding the Annual Audit Plan. Mr. Hanley and Ms. Palmer led us through the Annual Audit Plan for the year ending June 30, 2007 reviews of the University's Combined Financial Statements and the Federal Financial Assistance compliance audit of grants, contracts and student financial aid. They briefed the Committee on their approach to the audit this year, the scope of services and areas of emphasis, the client service team and their reporting timetable.

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The next item for action was the **Internal Audit Report on Time and Labor Reporting, UMASS Lowell**. Mr. Harrison indicated that the Lowell campus Time & Labor Review has concluded. Prior reports were completed for Amherst, Boston, and the President's Offices; and we expect to have the Dartmouth & Worcester reports at the next meeting of the Committee.

Mr. Harrison introduced Auditor Christine Galica who provided a summary of the scope of this review and her resulting recommendations. All observations were fully discussed with the campus management and detailed action plan responses were included in the final report. Additionally, Vice Chancellor Griffin briefed the Committee on actions already taken to address audit recommendation for improvement.

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

Internal Audit Report on Time and Labor Reporting, UMASS Lowell
(Doc. T07-035).

The next item was the **University Treasurer's Office Audit, Cash Reconciliation Process**. Mr. Harrison reported that this is the outsourced review of the University's Cash Reconciliation Processes, including all processes between the University Treasurer, the University Controller's offices, and the Campus Bursar's. The study was initiated as a result of last year's Management Observation and reportable condition by PricewaterhouseCoopers. A full monthly reconciliation is being conducted, and there is a plan in place for the fiscal year end June 30 cash account reconciliation to satisfy the annual external audit.

Many individuals participated in the project, including Vice President Lenhardt and most employees of the Treasurer's Office, Ms. Wilda and the Controller's Office employees, the five campus Bursar's and a number of their employees, all five campus audit liaisons, and PricewaterhouseCoopers. The Committee members have received the full 134 page report.

It was moved, seconded and

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

University Treasurer's Office Audit – Cash Reconciliation Process (Doc.
T07-036).

The meeting adjourned at 11:38 a.m.

Zunilka Barrett
Assistant Secretary to the Board