

UNIVERSITY OF MASSACHUSETTS

AMHERST•BOSTON•DARTMOUTH•LOWELL•WORCESTER

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

**Wednesday, September 10, 2008; 10:00 a.m.
Amherst Room
225 Franklin Street – 33rd Floor
Boston, Massachusetts**

Committee Members Present: Chair Boyle; Trustees Collins, Johnston, O’Shea and Rego

Committee Members Absent: Trustee Tocco; Chairman Manning

University Administration: President Wilson; General Counsel Bench; Executive Vice President Julian; Senior Vice President Williams; Vice Presidents Lenhardt and Gray; Chancellors Holub, Motley, MacCormack, Meehan and Collins; Mr. Harrison, Director of Auditing; Ms. Wilda, University Controller; Vice Chancellors for Administration and Finance Hatch, O’Connor, McLaughlin, Griffin and Jenal; Ms. Mongeau, Auditing Office; Mr. Scano, Auditing Office

Faculty Representatives: Professor May, UMass Amherst

PricewaterhouseCoopers: Mr. Paul Hanley, Engagement Partner

Chair Boyle convened the meeting at 10:44 a.m. and asked for a motion to approve the **Minutes of the Prior Meeting of the Committee.** It was moved, seconded and

VOTED: To approve the minutes of the May 28, 2008 meeting of the Committee.

Chair Boyle reported that the Committee will hear a summary report from Robert Harrison, Director of Internal Audit, which will include a brief status update on the various system-wide audit activity; summary of four internal audit reports for vote: the Internal Audit Report on Information Technology General Controls reviews at UMass Amherst Departments; UMass Dartmouth Chancellor’s Office Compliance Review, UMass President’s Office Purchasing Function Follow-up Review; and the UMass Dartmouth Revenue/Cash Receipting Locations Review. Mr. Harrison will also make note of other non-action items that were provided to Committee members in a separate mailing.

The next item was the **Report by the Director of Auditing.** Mr. Harrison then introduced Sarah Mongeau and Derek Scano from the Auditing office. The Auditing Office now has six full-time auditors, three of whom were hired in the last year. Mr. Paul Hanley from PricewaterhouseCoopers is also in attendance to answer questions related to contracted services. PwC materials will be discussed at the November 19 meeting of the Committee.

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Mr. Harrison then reported on the audit-related activities around the University System.

INFORMATIONAL ITEMS

The Informational Items were sent separately to the Committee and President Wilson a few days ago. The first item was a memorandum on an unannounced cash count at the Dartmouth Enrollment Center, performed by Mr. Scano. This visit had the dual purpose of confirming cash on hand by a surprise visit and to follow-up on recommendations made to that area last year. All cash was confirmed; and it was found that prior recommendations were still open. After discussions and management responding in agreement, we are confident that the open items are now being addressed.

Secondly, a copy of the first newsletter named “AUDIT Newscast”, which includes information about the Auditing Department purpose and mission—it includes a message from President Wilson, information on internal control and financial fraud, and some web links and contact information. We are working with the Communications Office in the President’s Office to get the newsletter to all employees. If it proves useful, we’ll try further issues that share audit advice and common issues. Trustee Rego commended Mr. Harrison for his efforts and indicated that the newsletter is a good resource.

The final item is a notice announcing that two auditing staff members recently completed professional certification by passing rigorous examinations: Chris Galica was awarded a credential as a Certified Internal Auditor, and Lance Watkins received his credentials as a Certified Fraud Examiner. Mr. Harrison indicated that while it is not required in the profession, through encouragement and support, he is interested in all audit staff pursuing professional certifications.

QUARTERLY ACTIVITY SUMMARY

- All of the fiscal year ending 2008 external reviews under contract have been proceeding timely—all six are annual requirements. External Reviews and reports by PricewaterhouseCoopers will be discussed at the November 19th meeting of the Committee.

Last year the Office of the State Comptroller instituted a more formal conference call regarding the annual financial report status that was to include the Audit Committee, at a minimum the Chair along with Controller Wilda and Mr. Hanley, which took place around October 15th. Committee members will be contacted about plans for another conference call in the near future.

- The initiative to visit and report on Information Technology General Controls at the many key department managed systems and applications was off to a decent start at Amherst. This addresses part of the IT audit plan, and an IT field auditor is working on

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the project which may end up reviewing a dozen departments at the Amherst campus alone.

- Reviews of Cash Handling & Receipting Locations will continue at the other campuses with the goal of visiting all identified areas that handle University receipts. There was great feedback from the work at the Lowell and Dartmouth campuses. Review of the Boston campus is in process, and the next step is to start the Medical School review soon.

As the Procurement Function follow-up audit at the Central Offices was closed out recently, a cycle of Purchasing Function Operational Reviews at the campuses were started. The first campus in process is UMass Lowell. Similar work at the Medical School and Dartmouth campus will take place this fall.

- Independent management review of the Commercial Ventures & Intellectual Property Program is underway. Planning meetings have already taken place with the help of Senior Vice President Williams, Vice President Chmura, and Executive Director Rosenberg. A key step for such a study will be interviewing. Interview requests will include the Chancellors, the President and many central office folks, and all campus CVIP directors at a minimum, possibly faculty researchers that went through the process, and maybe even an outside relationship.

Senior Vice President Williams indicated that possible interviewees have been identified and a letter will be sent informing them of the Management Review. She also commented that in the context of developing five campus systems, we want to ensure that all of the appropriate infrastructures are in place to accomplish goals, priorities, trajectories, etc. In addition, conducting a general program review would help us know how to better organize and prepare for the next stages of growth. Chair Boyle indicated that this was a very good initiative.

- The Office of the State Auditor has activity in process, and we hope to close their review at the Boston campus soon. The formal Exit Meeting with Vice Chancellor O'Connor will take place later this week. Their Information Technology Division teams continue their General IT Controls Reviews at campus-based data shops.

The next item was the **Information Technology General Controls Reviews at UMass Amherst**. The Parking Services and Transit Services are the first of a number of departments to be evaluated at the Amherst campus by IT audit expert Daniel Sarazen. The departments were identified as self-managing their Info Tech Systems. They are not under the day-to-day purview of the campus central Data Center Operations, and as such do not enjoy the benefits of a large, centrally controlled Info Technology operation. We worked very closely with Chief Information Officer John Dubach in identifying the proper departments to review and our auditor worked closely with his staff in assisting the departments. The two departments each employ an IT Administrator, and these were first time audits for them. All observations and recommendations

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to help the departments operate a more secure environment were accepted fully and changes or improvements were promptly instituted.

The next item was the **Compliance Review of the Dartmouth Chancellor's Offices and Affiliated Offices**. The review performed by Ms. Mongeau and Ms. Galica, concludes the executive office reviews for the University's six leaders. The scope of the review, just like the other campus audits, was inclusive of all areas closely or directly affiliated with the Chancellor's main office. Our intention for future coverage is to try and plan this on a biennial basis, but limit the scope to only direct activity of the Chief Executive Officer - this would be in keeping with good business practice.

For the Dartmouth campus, non-salary activity, guidelines over authorizations and delegations, travel and business expenditures, purchase credit cards, and asset management was reviewed. No major weaknesses in internal controls were found, but a number of suggested areas for improvement were found. Chancellor MacCormack and her staff fully accepted the suggestions and have begun to address them.

Related to travel and business expenditures, there was a brief discussion about monitoring controls and the use of proper documentation for fundraising purposes.

The next item was the **President's Office Purchasing Follow-up**. This was in follow-up to a 2004 review conducted to evaluate and provide assistance due to the newly created purchasing function for President's Office Units. Ms. Galica performed this review and worked closely with Director Peter Carino and staff at central office business units. This effort concentrated on the current status of action plans outlined in the 2004 study, of which the vast majority was either in-process, complete, or no longer applicable. We strongly encourage the development of a Standard Business Process Purchasing Manual and a Purchasing web-site for reference by all President's Office staff. All follow-up comments were discussed with responsible Management and appropriate action plan responses with targeted completion deadlines were provided.

Mr. Harrison thanked Mr. Carino for his help during this extensive review.

The next item was **Revenue & Cash Receipting Locations Review at Dartmouth**. UMass Dartmouth is the second campus completed, with Boston in process, and the Medical School in the planning stages. The scope is to identify all non-student account revenue collection areas on a campus, to make on-site visits and interviews to each known collection area, and if applicable, provide assistance in improving their internal controls. Mr. Scano performed this review with assistance from Lance Watkins.

Working with the campus Controller and the Bursar, miscellaneous revenue handling was identified for such items as vending machine commissions, bookstore sales, parking permits, ticket sales, application fees, and dormitory deposits. Dartmouth management also asked for a review of procedures at three off-site continuing education centers. One general comment,

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which is the most important step in addressing many of the operational control suggestions within the report, is to develop a comprehensive campus-wide collection security manual and guidelines and provide it to all locations. The Dartmouth campus completely agreed with Mr. Scano's observations and recommendations. The campus gathered a representative from each of the twenty-one areas visited for the Exit Meeting to ensure that all understood the importance of good cash handling procedures. Vice Chancellor McLaughlin was thanked for arranging that group meeting.

Chair Boyle inquired about the status of the verbal leases for providing space at the Student Education Center. Chancellor MacCormack indicated that to her understanding a private vendor was renting space in the same building, but she was not aware that there was a sub-lease with the vendor. She will follow-up immediately to workout the details of the lease and obtain it in writing.

Chair Boyle also inquired about the Department of Public Safety's action plan to collect outstanding parking fines and late fees. Vice Chancellor McLaughlin indicated that Public Safety has contacted Mass Municipal; the campus is looking at the liability of collecting the revenue from the fines; and is also working with the State on people not being able to renew their license in order to collect some of the funds. Some of the fines are very old and will not be collected. A database of all the audit findings has been established in order to follow-up on recommendations.

There being no further business, it was moved, seconded and

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

1. The Internal Audit Reports on Information Technology General Controls reviews at UM Amherst Departments, (Doc. T08-066)
2. The Internal Audit Report on the UMass Dartmouth Chancellor's Office Compliance Review, (Doc. T08-067)
3. The Internal Audit Report on the UMass President's Office Purchasing Function Follow-up Review, (Doc. T08-068)
4. The Internal Audit Report on the UMass Dartmouth Revenue/Cash Receiving Locations Review, (Doc. T08-069)

Chair Boyle adjourned the meeting at 11:28 a.m.

Zunilka Barrett
Assistant Secretary to the Board