

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

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

Thursday, February 12, 2009; 10:00 a.m.
Amherst Room
225 Franklin Street – 33rd Floor
Boston, Massachusetts

Committee Members Present: Chair Boyle; Trustee Collins and Johnston

Committee Members Absent: Trustees Rego and Tocco; Chairman Manning

University Administration: President Wilson; General Counsel Heatwole; Executive Vice President Julian; Senior Vice Presidents Williams and Gray; Chancellors Holub, Motley, MacCormack and Meehan; Vice Chancellors for Administration and Finance Hatch, McLaughlin, Yestramski and Jenal; Mr. Douglas, Budget Director; Ms. Wilda, University Controller; Mr. Harrison, Director of Internal Auditing; Mr. McCormick, Audit Manager and Senior Information Technology Auditor

Faculty Representatives: Ms. Gibbs, UMass Dartmouth

Chair Boyle convened the meeting at 11:53 a.m. and asked for the **Consideration of Minutes of the Prior Meeting of the Committee.**

It was moved, seconded and

VOTED: To approve the minutes of the September 10, 2008 meeting of the Committee.

Chair Boyle then announced that today's Agenda will be brief. Mr. Harrison, Director of Auditing will report on the internal and contracted audit reports.

Mr. Harrison first reported on an **Informational Item** sent to the Committee members last week. He commented on the federal review of the Massachusetts Small Business Development Center lead office at Amherst. Georgianna Parkin's operation is audited at least biennially. This audit had no findings or recommendations. Mr. Harrison then read a statement that was made at the conclusion of the audit from the Federal Agency Regional Director. "Without hesitation I can say that the Massachusetts SBDC network is one of the best programs in the country. It has all the ingredients that make an organization successful; strong leadership, dedicated staff, excellent communication from top to bottom and from bottom to top, low staff turnover, strong host support, recognized throughout the state and communities for delivering high quality assistance, excellent support from stakeholders, the legislature, etc. I applaud everyone

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associated with this organization as they fully understand the mission. It is a fine-tuned machine that is at the top of its game, a model program.”

Mr. Harrison reported that a solicitation memo for the Long-range Audit Plan was sent to 67 individuals. He hopes to have an updated document by the next meeting of the Committee. He also reported that recently there had been a few reports of employee financial wrongdoing. They are working aggressively on this and expect that these items will be available for discussion in an executive session forum at the next Committee meeting.

All of the campuses have either issued or are about to issue the annual notification to their employees concerning the Trustee Fraud Policy & Guidelines, the Mass Conflict of Interest Laws, Responsible Use of Computing & Data Resources, and the Principles of Employee Conduct.

Referencing the **Quarterly Activity Summary**, Mr. Harrison commented that the independent management review for the Commercial Ventures & Intellectual Property program has proceeded very smoothly with good input from dozens of interviews. This consulting study was managed for Senior Vice President Williams to provide her independent viewpoints on the CVIP program for consideration in planning for the future. Although not an audit, Mr. Harrison contracted with expertise in the field, and offered our services regarding the information technology/data storage segment of the study. The study is almost complete; the completed study will be sent to Senior Vice President Williams.

Mr. Harrison then reported on the **Internal and External Audit Reports**. He reported the following:

- Information Technology Controls Review: There are two more reports on Information Technology General Controls at select Amherst campus departments. There is one more report to complete at Amherst, and we are confident that enough trends presented themselves during these six reviews so that the campus can work to address similar issues with departments that Internal Audit did not visit. The next step includes working with the other campus CIO's to gather input as to which departments would most benefit from our review.
- Procurement Operations Review at the Lowell Campus: This evaluation is part of our goal to visit all purchase organizations. The Central Offices and Lowell campus are complete. The Dartmouth campus Review will be reported at next meeting of the Committee.

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- UMass Amherst Report on the Application of Agreed Upon Procedures at the Intercollegiate Athletic Program: The Amherst Campus intercollegiate athletic programs and affiliated organizations annual agreed-upon procedures is an annual NCAA requirement.
- Radio station: WFCR-FM at the Amherst campus had the annual financial statement audit as required by the Corporation for Public Broadcasting.
- Payment Card Compliance: an Interim Report on this subject was provided a year ago. This concludes a collaborative effort with the lead by the Treasurer's Office, along with University Information Systems, Internal Audit, the eCommerce team, and all campus information technology areas. Brian McCormick, Senior Auditor and Manager was an active team member and he prepared the wrap-up summary; Mr. McCormick was present to answer any questions.

The requirement was for the University to reach compliance with the Payment Card Industry Data Security Standards. This is a requirement set up by the credit card issuers, VISA, MasterCard and others that apply to all merchants that process, store, or transmit cardholder data. This collaborative work has resulted in improved processing controls over credit card handling and the "compliance certification" by our processor, also known as the "Acquirer" in the regulations, that the University is meeting PCIDSS level 3 validation requirements.....the project was working towards this ultimate certification and this was just received a couple weeks ago. This final report provides background information of the entire subject and key milestones the project team met. Concluding suggestions were offered to the Treasurer's Office in their continuing role to monitor this subject.

In closing, Mr. Harrison provided an update on PricewaterhouseCoopers two-year contract extension. We were successful in negotiating a reduction in audit fees for the next two fiscal years, and the Chair agrees that we should proceed to contract for that term. Mr. Harrison, Controller Wilda and Senior Vice President Gray had the opportunity to meet with Mr. Hanley, the former engagement partner and Mr. Glenn Williams, the new Engagement Partner to discuss the changeover.

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

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

1. Information Technology Controls Review (Doc. T09-002)
2. Procurement Operations, UMass Lowell (Doc. T09-003)
3. Payment Card Compliance Project (Doc. T09-005)

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4. WFCR-FM and WFCR Foundation Inc. Combined Financial Report and Communication Letter (Doc. T09-006)
5. UMass Amherst Report on the Application of Agreed Upon Procedures at the Intercollegiate Athletic Program (Doc. T09-008)

Chair Boyle adjourned the meeting at 12:08 p.m.

Zunilka Barrett
Assistant Secretary to the Board