

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

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

Wednesday, June 3, 2009; 10:00 a.m.
Amherst Room
225 Franklin Street – 33rd Floor
Boston, Massachusetts

Committee Members Present: Chair Boyle; Trustees Johnston and Tocco

Committee Members Absent: Trustees Collins; Chairman Manning

University Administration: President Wilson; General Counsel Heatwole; Senior Vice President Gray; Chancellors Holub, Motley, MacCormack, Meehan and Collins; Vice Chancellors for Administration and Finance Hatch and Yestramski; Mr. Douglas, Budget Director; Ms. Wilda, University Controller; Mr. Harrison, Director of Internal Auditing; Mr. Scano and Mr. Watkins, Internal Auditing, Senior Auditors; Executive Vice Chancellor Maloney; Mr. O’Riordan, Associate Vice Chancellor for Financial Services

PricewaterhouseCoopers: Glenn Williams, Engagement Partner; Marcy Culverwell, Senior Manager; Lyndsay Signori, Senior Associate

Chair Boyle convened the meeting at 10:50 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 February 12, 2009 meeting of the Committee.

Chair Boyle then reported that the agenda includes a summary report from Mr. Harrison, Director of Auditing, on various System-wide audit activity and updates on three internal audit reports, one contracted annual audit report, and an update on the long-range Audit Plan. Chair Boyle welcomed Senior Auditors Scano and Watkins.

Chair Boyle also welcomed the new PricewaterhouseCoopers Engagement Team: Mr. Glenn Williams, Engagement Partner and Ms. Marcy Culverwell, Senior Manager. Ms. Lyndsay Signori, Senior Associate is also present. They will present the Fiscal Year 2009 Audit Services Plan. The meeting will conclude by entering into Executive Session to discuss matters related to Personnel issues.

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Referencing the **Quarterly Activity Summary**, Chair Boyle commented that most of the reports outlined in the summary indicate that there are no unusual disclosures. Mr. Harrison then reported that detailed information on the Collaborative IT Security Assessment project will be presented to the Committee in September. This is an important initiative headed up by Senior Vice President David Gray and sponsored by the University's Security Cabinet, in collaboration with the CIO Council and Internal Audit, and it deals with having independent security scans and vulnerability testing on the University's networks.

Mr. Harrison then talked about the State Auditor's Office report on Information Technology Related Controls at the Dartmouth campus. The report was published on May 14th, and as is standard practice of the State Auditor a press release was issued highlighting the report. A separate team from the IT Division is finishing up similar work at the Lowell campus.

The state audit team concentrated their efforts on the Computing and Information Technology Services Department, and was onsite for nearly 11 months focusing on various areas. Their notable observations included a need for strengthening policy and procedures for the inventorying of computer equipment, including the initial asset setup, tracking physical movement around the campus, the biennial inventory confirmation; and also getting up to date on Internal Control Law filings.

Mr. Harrison commented that Information Technology Related Controls at the Dartmouth campus have been discussed with Associate Vice Chancellor Mitchell and Internal Audit is completely satisfied that the campus recognized the problem and is moving forward. Chancellor MacCormack indicated that the report showed one controlled area and there needs to be follow-up. The campus must be more aggressive about the controls issues. Bar codes inventory has been implemented.

Mr. Harrison then reported on the **Internal and External Audit Reports**. He first reported on **Procurement Operations, UMass Dartmouth**. Evaluations are complete for the central offices, the Lowell campus, and now the Dartmouth campus. The Medical School will possibly be complete by the next meeting of the Committee. Overall it was determined that UMass Dartmouth's operation is following appropriate guidelines. There were a number of suggestions to potential risk areas and to strengthen the current environment.

The next item was, **Revenue/Cash Receipting Locations Review, UMass Boston**. This is an extension of business processes to be completed at all the campuses. The scope is to identify revenue handling. Senior Auditors Lance Watkins and Derek Scano performed this review. Observations were made for those areas needing improvement, and the campus agreed with all of the auditor's recommendations. Additionally, a follow-up was made to a prior report on the Bursar's office and all of the original comments were resolved.

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The next report was **Information Technology Controls Reviews, UMass Amherst Housing and Residence Life**. This is a continuation of the information technology general controls at the Amherst campus. This review was for the Housing & Residential Life area. There is also one more campus area, Auxiliary Services. All the work has been performed by senior IT auditor Dan Sarazen.

The next report was **WUMB-FM Financial Statements, Internal Control Report and Communication Letter**. This is one last Fiscal Year 2008 external contracted review. The report received an unqualified and clean opinion on the station's financials, and a separate internal control letter indicating no deficiencies or material weaknesses based on their scope. Additionally included is the Auditors Communication Letter to the Board of Trustees. The work is performed by the Boston CPA firm, Parent, McLaughlin & Nangle. The relationship with the CPA firm will continue for two more years.

The last item was **Long-Range Audit Plan**. Last December/January a solicitation memo was sent for input on the Long-Range Audit Plan to many individuals; responses have been received. The document is an update from the first long-range plan approved in late 2006 and highlights all work performed. A situation Internal Audit often finds itself in is being diverted from planned work by unplanned work, such as the five or six reports of employee financial wrongdoing that is being aggressively worked on.

Chair Boyle requested that the purchasing card program be included as an agenda item at a future meeting. Mr. Harrison stated that he will plan to present information about the Procard Program at the September meeting.

It was then moved, seconded and

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

1. Procurement Operations, UMASS Dartmouth (Doc. T09-019)
2. Revenue/Cash Receipting Locations Review, UMASS Boston (Doc. T09-020)
3. Information Technology Controls Reviews, UMASS Amherst Housing and Residence Life (Doc. T09-021)
4. WUMB-FM Financial Statements, Internal Control Report Communications Letter (Doc. T09-007)

And,

VOTED: To approve the revisions to the Long-Range Audit Plan as contained in Doc. T06-060, as amended.

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The next item was the **Fiscal Year 2009 Audit Services Plan**. Members from the PricewaterhouseCoopers Engagement Team were introduced to discuss the 2009 Audit Service Plan. Glenn Williams, Engagement Partner; Marcy Culverwell, Senior Manager, and a graduate of UMass Amherst; and Lyndsay Signori, Senior Associate.

Ms. Culverwell talked about the audit scope and key areas of focus. The primary objective when conducting the audit scope is to provide a high quality composition audit. Three deliverables are provided, the audited financial statements, an A-133 report, and a management letter of comments with observations and recommendations to improve internal controls. Audits are performed in accordance with generally accepted auditing standards.

Ms. Culverwell indicated that their responsibility is to ensure that an opinion on the audited financial statements is provided. Management's responsibility is to prepare financial records and ensure that internal controls and financial data are appropriate and correct, and prepare the financial statements. A risk-based audit approach is taken when scoping the audit. Planning meetings have taken place with the campus controllers to discuss upcoming issues. She also talked about perspectives on fraud risk and responsibilities, areas of audit emphasis identified in the areas of treasury and investments, grant revenue and receivables, land, buildings and equipment, current and long-term liabilities, and pending and threatened claims and litigation.

Ms. Signori commented on the engagement timeline of the plan which facilitates the University in meeting all of its legal and regulatory requirements. The timeline spans the entire year.

Mr. Williams provided a summary of the negotiated fees. Based on a 2009 scoping discussion with senior management and conditions of the economy, a decision was made to decrease its fees from the amounts originally negotiated in the contract. The 2009 fee reflect a 7% reduction from 2008, and an 11.4% reduction from the 2009 negotiated fees. The 2010 fee reflects no increase from 2008 and 2009 and a 16% reduction from the 2010 proposed fees.

Ms. Signori briefly commented on the GASB-49 recent developments on accounting and financial reporting for pollution remediation obligations, and GASB-51 accounting and financial reporting for intangible assets. The University is required to implement the new standards for FY2010.

Stimulus Fund discussions indicate that the University will likely receive funding that is part of the Recovery Act. The overall principles of transparency and accountability will place the spotlight on the University. The University will need to consider this added focus and the need to enhance existing compliance policies, processes and procedures to manage the added risk that comes with Recovery Act funding.

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Mr. Williams concluded by talking about the OMB Circular A-133 and the campus audit approach, and the management engagement letter of intent.

Chair Boyle then announced that the Committee would enter into **Executive Session** to consider **Items Related to Personnel Issues**. The Committee will not reconvene in Open Session, and the Secretary will call the Roll.

It was moved, seconded and

VOTED: To enter into **Executive Session** for the purpose of considering **Items Related to Personnel Issues**.

Chair Boyle voted for the motion as did Trustee Johnston.

Mr. Harrison asked the Chancellors, along with Vice Chancellors Joyce Hatch and Joanne Yestramski, internal auditors Derek Scano and Lance Watkins, Executive Vice Chancellor Jacquie Maloney and Mr. O’Riordan to remain.

The time was 11:21 a.m.

Zunilka Barrett
Assistant Secretary to the Board