

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

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

Wednesday, September 22, 2010; 10:00 a.m.
Amherst Room
225 Franklin Street – 33rd Floor
Boston, Massachusetts

Committee Members Present: Chair Furman; Vice Chair Woolridge; Trustees Collins and Reid; Ms. Lee, Designee for Trustee Reville

Committee Members Absent: Trustees Fox and Johnston

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, O'Connor, McLaughlin, Yestramski and Jenal; Mr. Douglas, Associate Vice President/University Budget Director; Ms. Wilda, University Controller; Mr. Harrison, Associate Vice President for Auditing;

Faculty Representatives: Ms. Gibbs, UMass Dartmouth

PriceWaterhouseCoopers: Glenn Williams, Engagement Partner; Brian Huggins, Senior Manager

Chair Furman convened the meeting at 10:19 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 June 2, 2010 meeting of the Committee.

Chair Furman reported that today's agenda includes the quarterly summary report from Internal Audit Associate Vice President Robert Harrison, which will include updates on System-wide audit activities, and acceptance of three internal audit reports.

Under the **Report by the Associate Vice President of Audit,** Associate Vice President Harrison first reported that each year the Office of the State Comptroller requests a formal conference call regarding the annual financial statement report status, which is held sometime around mid-October, on or about the 15th. The call must include the Audit Committee Chair at a minimum, along with PricewaterhouseCoopers Partner Mr. Williams, University Controller

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Christine Wilda, and Senior Vice President David Gray. Other Trustees have joined the call in the past.

The PricewaterhouseCoopers audits will all be submitted to the December 1st Committee meeting; they will include the Annual Audited Financial Statement, along with the Federal Programs Audit, known as the A133 Report, and a Management Letter.

Several items were sent to the Committee members in a separate mailing, including two internal audit memorandums dealing with matters required to be reported to the State Auditor. The issues were investigated fully and reports were issued to campus management. These personnel matters do require Executive Session for any further discussion.

Also sent was the State Auditor's Office "letter report" on their inquiry of student complaints on usage of Student Government Association funds. The State Auditor concluded that the campus had done their own investigation and identified certain internal controls needing attention. They also recommended that an annual review of SGA funds be placed on the long-range audit plan, and we have done just that.

The third issue of the Internal Audit Newsletter was also included in the mailing. This is distributed to all University employees by each campus. Comments by Chair Furman and Vice Chair Woolridge were placed within the Newsletter. Comments from Purchase Director John Martin of the Amherst campus were also included.

The Committee also asked for a number of follow-up items. First, a correspondence follow-up of 16 prior internal audit reports was initiated and there was great success in receiving campus written attestations to over 170 distinct audit observations and recommendations. A report of this follow-up project will be presented at the next meeting of the Committee.

Second, a request to be updated as to progress with Disaster Recovery / Business Continuity Planning due to the follow-up report issued in June; Senior Vice President Gray's staff have been keeping internal audit informed of the progress with a most important step of the establishment of a distinct DR/BCP and Emergency Preparedness dedicated position in the central office.

The third item requested was feedback on the General Counsel's Office review of current policy documents dealing with conflicts of interest and intellectual property. Although it was determined that only slight variations existed among the campus policies there are some decisions General Counsel is considering due to the bargaining unit requirements to make changes, as well as figuring out if it is truly efficient to now have policies confirm to one standard. A discussion ensued with comments by General Counsel Heatwole as to the process of review and likely efficiencies, as well as restrictions, in considering standardizing some policies.

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Referencing the **Quarterly Activity Summary**, Associate Vice President Harrison reported that the compliance audit of the University's six chief executives (President Wilson and the five Chancellors), covering spending controls and fringe benefit reporting controls began last month. A report will be provided at the next meeting. There has been excellent cooperation by all of the offices. What has been learned from these first reviews will enable us to establish a checklist process where subsequent annual reviews could possibly be completed with little effort. We recommended that best practice would be to have some limited scope review of our CEO's every year, and that has been placed on the long-range audit plan. All Chancellors were copied on the audit notification.

The next system-wide key business process effort, an in-depth review of Asset Management & Property Controls, has been started by Senior Auditor Derek Scano; his review will touch all campuses, and he has initiated his work at the Central Offices. Over the last three years system-wide reviews of Time & Labor, Procurement Offices, and all Cash & Receipting Areas were completed and many of them are included in the follow-up project.

The system-wide risk assessment on Student Payroll was recently completed and we expect to be selecting departments and processes for in-depth study. This project will be handled by Senior Auditor Sarah Mongeau.

There has been notable increased activity by the State Auditor in reviewing Information Technology – beginning with a review of the UMass Medical School data center, currently in process. New reviews start this week at the Dartmouth and Amherst campuses. The State Auditor includes Internal Audit in the process from the very beginning and we assist the campuses wherever possible.

Associate Vice President Harrison then briefed the Committee on the three Audit Reports for vote acceptance. First, a **Follow-up Review on the Report of Employee Hiring and Background Checks** issued in 2006. The summary stated that the key to moving forward on the subject, and especially to gain consistent practices throughout the five campuses, is to move towards a Trustee ratified policy and guidance. University management indicated their full agreement with the recommendation and a Draft Policy and Guidelines is ready for the President's Council. The recommendation in the report and the proposed Draft Policy and Guidelines have been reviewed and adjusted to meet the latest CORI statutory changes.

Senior Vice President Gray outlined the next steps in the plan to have the President's Council review the proposals. A brief discussion ensued as to the consideration of recent legislation on the Criminal Offender Record Information, or CORI. The Committee agreed that the audit report would be accepted and that the next step would be to have any policy presented via the Administration and Finance Committee.

Next, two most recently completed **Information Technology General Controls Reviews for the Dartmouth Campus**, focusing specifically on the College of Engineering and the

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Campus Bookstore. All three of the Dartmouth departments are now completed and identified as managing their own decentralized IT operations. Management offered comprehensive responses to our observations, and when their action plans are completed it will represent significant improvement in the departments IT security controls.

Senior IT Auditor Daniel Sarazen completed the audits, and these will be the last ITGC reports the Committee will receive focusing on an individual department.

A single report for the Lowell Campus is anticipated to be presented at the December meeting. Senior IT Auditor Sarazen is reviewing the general IT controls for all of the decentralized departments. That single report will cover results of reviews at over 18 different departments. This new approach was well received by the departments and campus management.

It was then moved, seconded and

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

1. Background Checks Survey - Follow-Up Report (Doc. T10-041)
2. Information Technology General Controls Review, UMass Dartmouth – College of Engineering (Doc. T10-042)
3. Information Technology General Controls Review, UMass Dartmouth – Campus Book Store (Doc.T10-043)

The meeting adjourned at 11:04 a.m.

Zunilka Barrett
Assistant Secretary to the Board