

UNIVERSITY OF MASSACHUSETTS

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

Wednesday, June 12, 2013; 10:00 a.m.

Amherst Room

225 Franklin Street – 33rd Floor

Boston, Massachusetts

Committee Members Present: Chair Furman; Vice Chair Woolridge; Trustees Buonomo and Collins

Committee Members Absent: Trustee Campbell

University Administration: President Caret; General Counsel Heatwole; Senior Vice President Wilda; Chancellors Motley, Grossman, Meehan and Collins; Director of Internal Audit David

Grant Thornton: Brian Page, Mary Foster, Brittany Kelley

Documents Used:

- FY2014 Internal Audit Plan, Doc. T13-036
- Grant Thornton FY2013 Audit Scoping Presentation, Doc. T13-037
- Football Attendance Audit Report, UMass Amherst, Doc. T13-055

Chair Furman convened the meeting at 10:51 a.m. and stated that the Committee had been provided with draft minutes for the February 6, 2013 meeting and asked for any corrections. With no corrections, the minutes were approved.

Chair Furman welcomed new Trustees James Buonomo and outlined the agenda.

Report by the Director of Internal Audit:

Mr. David briefed the Committee on the **Fiscal Year 2014 Audit Plan**, including high-level overviews of the processes used to perform audits and those used to determine the universe of potential audits. He described the audit planning process and the drivers, including risk assessment and available audit resources that contributed to selecting audits for the Fiscal Year 2014 Audit Plan. He then highlighted certain higher risk areas that are included in the Audit Plan. In addition, he provided a summary of Internal Audit's mission and role at the University that includes being an "agent of change". He also discussed the Internal Audit organization, including staff resources and their qualifications.

Mr. David also reported on the completion of two external audits: the Football Attendance Audit and the UMass Foundation. He noted that both reports provided an unqualified opinion.

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Members of the Committee made inquiries to which Mr. David responded. The Committee inquired about several topics, including: forensic audits, the Ethics and Fraud Hotline and Fiscal Year 2014 Audit Plan hours allotted for investigations.

Action Items:

Chair Furman asked for a motion on the **FY2014 Internal Audit Plan**. It was moved and seconded:

To recommend that the Board approve the following:

- FY 2014 Internal Audit Plan (Doc. T13-036)

The Chair asked for a vote and the motion passed.

Chair Furman then asked for a motion on the **Football Attendance Audit Report, UMass Amherst**. It was moved and seconded:

To recommend that the Board approve the following:

- Football Attendance Audit Report, UMass Amherst (Doc. T13-055)

The Chair asked for a vote and the motion passed.

Report by Grant Thornton:

Engagement Partner Page, Senior Manager Esten and Audit Supervisor Kelley reviewed their firm's Fiscal Year 2013 Audit Scoping Presentation and highlighted the differences from their prior year audit. They also made required communications to the Committee that included discussing their firm's responsibilities, risk assessment and audit scope as well as relevant technical accounting updates. Mr. Page also described some of the differences in reporting language from previous years.

Members of the Committee made inquiries to which Mr. Page and Ms. Esten responded. The Committee inquired about several topics, including and among others: how areas of risk were identified across all of the campuses; the Building Authority's level of financing activity; potential changes in reporting on state pension distributions; and reporting future pension liabilities as a current cost.

Ms. Foster provided a synopsis of her firm's report on current trends in higher education. She highlighted a number of topics, including the greater reliance of public universities on students for revenue; optimism that universities, like UMass, can weather the storm; and cost containment. She also described strategic issues around revenue, including

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increasing tuitions, sustainability of favorable discount rates, diversified revenue sources, intellectual property, collaborations and partnerships. She described national trends, including the declining state support for students; trends in research funding; focus on student success; and new technologies. She then briefly discussed risk and measurement trends, including the importance of ensuring that there are sufficient quality control processes around the accuracy of reported non-financial data and that strategic risk assessment practices, i.e., enterprise risk management (“ERM”), are gaining traction in higher education. Lastly, Ms. Foster highlighted certain regulations that may have an impact on University operations and Moody’s 2013 outlook for the higher education industry.

Chair Furman asked about the data gathering process and the cooperation of the campuses with regard to the audit. Mr. Page replied that the process was consistent and efficient.

Trustee Buonomo asked about ERM best practices at other universities. Mr. Page said that it was still early in the ERM life cycle. Ms. Foster replied that several universities are looking at Black Swan scenarios, but it was more in private than public universities. Trustee Buonomo stated that it was important that the University be on the offensive and to understand its top risks.

There being no other business the meeting adjourned at 11:55 a.m.

Kate Wilkinson
Staff Assistant