

**UNIVERSITY OF MASSACHUSETTS
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**MINUTES OF THE MEETING OF THE
AUDIT COMMITTEE**

**Wednesday, December 3, 2014; 10:00 a.m.
Amherst Room
225 Franklin Street – 33rd Floor
Boston, Massachusetts**

Committee Members Present: Chair Furman; Vice Chair Collins; Trustees Buonomo, Campbell and Woolridge; Chairman Thomas

University Administration: General Counsel Heatwole; Senior Vice President Wilda; Chancellors Grossman and Collins; Director of Internal Audit David; Internal Audit Senior Manager McCormick

Grant Thornton: Claire Esten; Brittany Kelley; Mary Foster

Faculty Representatives: Professor May

Documents Used:

- Internal Audit Update, Doc. T14-094
- Internal Audit Charter, Doc. T06-061, as amended
- University's Annual Financial Statements, Doc. T14-096
- Report on Federal Financial Assistance Programs in Accordance with OMB Circular A-133, Doc. T14-097
- Report on MA Financial Assistance Programs, Doc. T14-098
- Internal Control Letter, Doc. T14-099

Chair Furman convened the meeting at 11:09 a.m. and stated that the Committee had been provided with draft minutes for the September 10, 2014 meeting and asked for any corrections. With no corrections, the minutes were approved.

Chair Furman then outlined the agenda.

Report by the Director of Internal Audit:

Mr. David provided an update on the development and deployment of the University's Enterprise Risk Management ("ERM") program. His update included an overview of ERM, its growing importance and the benefits it provides an organization with regard to identifying and managing risk. He also discussed the roles Management, the ERM Committee and Internal Audit will play in developing and managing the ERM program. Mr. David highlighted the phases of the ERM program from designing the framework and capturing risk information through on-going monitoring and assessment of the program. The Committee made inquiries into the makeup of the ERM Team, who will provide oversight, the availability of adequate resources to staff the ERM project and the impact the project will have on Internal Audit's resources, among other things. Discussion ensued.

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Mr. David went on to explain that annually the Committee has an opportunity to review and approve the Internal Audit Charter (“Charter”). He noted that there were no changes made to the Charter since it was last approved.

Chair Furman then asked for a motion to approve the Internal Audit Charter. Chair Furman asked for questions or discussion.

It was moved, seconded, and voted:

To recommend that the Board take the following action:

To approve the revisions to the Internal Audit Charter as contained in Doc. T06-061, as amended.

Report by Grant Thornton

Ms. Esten, Grant Thornton’s Engagement Partner, introduced the engagement team and outlined their presentation. Ms. Esten began by stating that the audit resulted in an unqualified audit opinion and went on to provide an overview of their audit findings, noting that there were no significant deficiencies or material weaknesses identified during the audit of the Universities consolidated financial statements. Ms. Esten and Ms. Kelley, Senior Manager, then presented their firm’s audit results and required communications to the Committee.

Ms. Kelley reviewed the areas of significant audit focus and results and explained that Grant Thornton relied on the expertise of specialists for testing the valuation of certain investments and accruals. She then provided additional details, including a summary of accounting adjustments identified during the audit. The Committee made inquiries about the accounting adjustments to which Ms. Kelley and Esten responded that the engagement team was comfortable with Management’s assessment of the adjustments.

Ms. Kelley reported on the major programs reviewed for the U.S. Office of Management and Budget (“OMB”) Circular A-133 and Massachusetts Office of Student Financial Assistance Compliance audits that include financial aid, research and development. She noted there were three findings identified but there were no questioned costs. Chair Furman expressed the need for these findings to be addressed immediately, to which Management responded. Mr. David remarked that Internal Audit reviewed Management’s remediation plans and if instituted correctly the plans should remediate the issues going forward.

Ms. Esten went on to discuss internal control matters and highlighted control recommendations that were communicated to Management. She also noted that a significant deficiency was identified during the audit of one of the University’s related entities but it had no material effect on the University’s consolidated financial statements or her firm’s opinion on the same. Discussion ensued. Chair Furman then commented on the manual process utilized to consolidate the University related entities into the University’s consolidated financial statements and the effort to automate it in fiscal year 2015, to which Management responded.

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Ms. Esten then provided information on technical updates, including accounting and financial reporting for pensions. She also noted the importance of having an ERM program for universities the size and complexity of UMass and dedicating the appropriate time and resources for it to be successful. The Committee made inquiries about how other universities have undertaken ERM. Ms. Esten responded.

Ms. Foster, Managing Director, then presented on several key trends in higher education, including: ERM; student recruitment, enrollment and outcomes; revenue growth; and marketing and competitive strategy. She then spoke about rating agency concerns over higher education's revenue and financial resource allocation; the ability of institutions to continue to grow enrollment; and deferred maintenance costs among other issues facing higher education. Discussion ensued.

Chair Furman then asked for a motion to approve the **University's Financial Statements, Grant Thornton's Reports on Federal Financial Assistance Programs and Massachusetts Financial Assistance Programs** and the **Internal Control Letter**. Chair Furman asked for questions or discussion.

It was moved, seconded and voted:

To recommend that the Board take the following action:

To approve the University's Annual Financial Statements as contained in Doc. T14-096.

And, to recommend that the Board approve the following:

Report on Federal Financial Assistance Programs in Accordance with OMB Circular A-133 (Doc. T14-097)

Report on MA Financial Assistance Programs (Doc. T14-098)

Internal Control Letter (Doc. T14-099)

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

Kate Wilkinson
Staff Assistant