

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

**Wednesday, December 2, 2015; 10:00 a.m.
Boston/Amherst Room
One Beacon Street – 32nd Floor
Boston, Massachusetts**

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

Other Trustees: Trustee Manning

University Administration: President Meehan; General Counsel Heatwole; Senior Vice President Wilda; Chancellors Subbaswamy, Motley, Moloney and Collins; Director of Internal Audit David; Internal Audit Senior Manager McCormick, Director of University Emergency Management Hescock

Documents Used:

- Meeting Minutes: September 9, 2015 (Open Session)
- Meeting Minutes: September 9, 2015 (Executive Session)
- Internal Audit Charter, Doc. T06-061, as amended
- University's Annual Financial Statements, Doc. T15-103
- Report on Financial Assistance Programs in Accordance with OMB Circular A-133, Doc. T15-104
- Appointment of University's independent external audit firm, Doc. T15-105

Chair Furman convened the meeting at 10:45 a.m. and stated that the Committee had been provided with a copy of the Open and Executive Session meeting minutes of September 9, 2015 and asked for any corrections. With no corrections, the minutes were approved.

Chair Furman then outlined the day's 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 the University with regard to identifying and managing risk. He and Mr. Hescock discussed ERM as being a holistic approach that the University can use to identify, assess, manage, and control situations and risks as well as for responding to and reporting on threats. Mr. Hescock noted that the ERM team has worked to design a program that fits the needs of the University and highlighted the benefits of the ERM program with regard to the University-wide risk assessment. He then described a preliminary list of risks that have been identified in 12 disciplines across the University, e.g., Academics,

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Admission and Enrollment, Advancement, Finance, and Safety and Security. He went on to discuss the risk ranking process and informed the Committee that the President's Council will review the preliminary list of risks and rankings and that the ERM team will record ranking data, review, and provide feedback. Messrs. Hescoek and David highlighted next steps the ERM team will take and the remaining phases of the project. The Committee made inquiries and discussion ensued.

Mr. David announced that the Auditor Selection Committee in conjunction with the Audit Committee Chair and Vice Chair have chosen Grant Thornton, LLP to recommend to the Committee as the University's independent external auditor. Discussion ensued.

Mr. David went on to explain that annually the Committee has an opportunity to review and approve the Internal Audit Charter ("Charter"). He highlighted one minor change made to the Charter since it was last approved.

Chair Furman then asked for a motion to approve the **Internal Audit Charter and Grant Thornton, LLP's appointment** and asked for questions or discussion.

It was moved, seconded, and voted:

To recommend that the Board approve the following actions:

The revisions to the Internal Audit Charter as contained in Doc. T06-061, as amended; and

The appointment of Grant Thornton, LLP as the University's independent external auditor, as contained in Doc. T15-105.

Report by Grant Thornton

Ms. Esten, Grant Thornton's Engagement Partner, introduced the engagement team, outlined their presentation and provided a brief overview of her firm's audit. She went on to thank the Committee and University for appointing them again as the University's auditor. Ms. Esten and Ms. Kelley, Senior Manager made their required communications to the Committee and stated that the audit resulted in an unqualified audit opinion and went on to provide an overview of their audit findings, noting that there was one significant deficiency and no material weaknesses identified during the audit of the Universities consolidated financial statements. Ms. Esten also discussed the University's implementation and their review of Governmental Accounting Standards Board 68 *Accounting for Financial Reporting for Pensions* ("GASB 68"). She also discussed GASB 68's potential effect on the University's rating agency analysis and ratings. She noted that there has been debate surrounding the implementation of GASB 68 in the higher education industry and government. The Committee made inquiries and discussion followed.

Mss. Esten and Kelley reviewed the areas of significant audit focus, results and explained that Grant Thornton relied on the expertise of specialists for testing the valuation of certain investments and accruals. They went on to discuss internal control matters and highlighted

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control recommendations that were communicated to Management. They also provided additional details, including a summary of accounting adjustments identified during the audit. The Committee made inquiries about the accounting adjustments to which Mss. Esten and Kelley responded that the engagement team was comfortable with Management's assessment of the adjustments.

They reported on the major programs reviewed for the U.S. Office of Management and Budget ("OMB") Circular A-133 audit that include financial aid, research and development. She noted there was one finding identified but there were no questioned costs.

Ms. Foster, Managing Director, then presented on several key trends in higher education, including among others: easing fiscal pressures at public and private universities; mergers, affiliations and partnerships; enrollment; and research funding. She discussed University trends in fundraising performance and revenue and made recommendations regarding the University's analysis of key indicators. Discussion ensued.

Ms. Esten then provided information on technical updates, including accounting and financial reporting for pensions.

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

It was moved, seconded, and voted:

To recommend that the Board approve the following actions:

The University's Annual Financial Statements as contained in Doc. T15-103; and

The Report on Federal Financial Assistance Programs in Accordance with OMB Circular A-133, as contained in Doc. T15-104.

The time was 11:55 a.m.

Christina Kelley
Assistant Secretary to the Board of Trustees