

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

**Wednesday, June 10, 2015; 10:00 a.m.
Amherst Room
225 Franklin Street – 33rd Floor
Boston, Massachusetts**

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

University Administration: President Caret; General Counsel Heatwole; Senior Vice President Wilda; Chancellors Subbaswamy, Motley, Meehan (President-elect), Grossman and Collins; Director of Internal Audit David; Internal Audit Senior Manager McCormick

Grant Thornton: Carolyn Warger; Claire Esten; Mary Foster

Documents Used:

- Meeting Minutes: April 1, 2015
- Internal Audit Update, Doc. T15-060
- FY2015 Audit Scoping Presentation, Doc. T15-061
- FY2016 Internal Audit Plan, Doc. T15-062

Chair Furman convened the meeting at 11:10 a.m. and stated that the Committee had been provided with draft minutes for the April 1, 2015 meeting and asked for any corrections. With no correction, the minutes were approved.

Chair Furman then outlined the agenda.

Report by the Director of Internal Audit:

Mr. David provided a brief summary of University Internal Audit's mission and purpose. Mr. McCormick then updated the Committee on staffing resources and vacancies. Mr. David noted that Internal Audit's senior management team is intact and has provided continuity during staffing changes that occurred during the last six months. Mr. McCormick continued and highlighted staff qualifications, the successful cultivation of talent internally, Internal Audit's quality assurance and improvement program, including self-assessments and external reviews to determine compliance with industry standards and areas for improvement. The Committee made comments and asked questions about staffing and new staff certification, to which Messrs. David and McCormick responded.

Mr. David then discussed examples of ad-hoc projects where Internal Audit provided Management with assistance in a number of areas. He then briefed the Committee on the **Fiscal Year 2016 Audit Plan**, including a high-level overview of the processes used to determine the

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universe of potential audits. He described the audit planning process and the drivers, including continuous input from audits, management, external audits, risk assessment, industry, and available audit resources that contributed to selecting audits for the Fiscal Year 2016 Audit Plan. He then discussed certain higher risk areas that are included in the Audit Plan and noted that many of the areas have been identified as top ten risks by industry risk experts such as KPMG and Grant Thornton. In addition, he highlighted risks to completing the Audit Plan and that the Audit Plan is necessarily flexible to accommodate ad-hoc requests from management and the Committee.

Report by Grant Thornton:

Engagement Partner Esten and Audit Manager Warger reviewed their firm's **Fiscal Year 2015 Audit Scoping Presentation** and highlighted its focus and certain differences from their prior year audit. They also made required communications to the Committee that included among other things discussing their firm's and management's responsibilities, risk assessment, audit scope, OMB Circular A-133, audit timeline as well as relevant technical accounting updates and regulatory changes.

Ms. Esten went on to discuss Governmental Accounting Standards Board 68 *Accounting for Financial Reporting for Pensions* ("GASB 68"). She discussed its possible effect on the University's financial statements and that it could be an additional area of audit focus depending on its adoption by the Commonwealth of Massachusetts and the University. Members of the Committee made comments and inquiries regarding GASB 68 to which Ms. Esten and Warger responded. Members inquired about the reasons for adopting GASB 68, the evaluation and pricing of the pension liability, and the possible impact the liability will have on the University's cost of borrowing and rating agency ratings. They also voiced concerns regarding the impact GASB 68 will have on pensioners among other things. Discussion ensued.

Executive Director Foster then discussed industry updates and current trends to watch in higher education. She highlighted a number of topics, including enrollment, and student debt and outcomes, academic innovation and rating agency concerns. Committee members and University Administration made inquiries to which Ms. Foster responded.

Chair Furman then asked for a motion to approve the **FY2016 Internal Audit Plan**. Chair Furman indicated that the Committee had a chance to review the background materials that were provided and asked for questions or discussion.

It was moved and seconded.

To recommend that the Board approve the following:

- FY2016 Internal Audit Plan (Doc. T15-062)

Chair Furman asked for a vote and the motion passed unanimously.

There being no other business, the meeting adjourned at 12:17 p.m.

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Christina Kelley
Assistant Secretary to the Board