

**UNIVERSITY OF MASSACHUSETTS
AMHERST•BOSTON•DARTMOUTH•LOWELL•MEDICAL SCHOOL•UMASSONLINE**

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

**Tuesday, November 28, 2017; 10:00 a.m.
Amherst Room
University of Massachusetts Club
One Beacon Street – 32nd Floor
Boston, Massachusetts**

Committee Members Present: Vice Chair Karam; Trustees Buonomo, O'Brien and Wu

Committee Members Absent: Chair Furman; Trustee Woolridge

University Administration: President Meehan; General Counsel Leone; Senior Vice President Calise; Chancellors Mills, Moloney and Collins; Director of Internal Audit David; Chief Information Officer Letchford; Director of University Emergency Management and Business Continuity Hescock

Grant Thornton: Claire Esten, Partner; Carolyn Warger, Manager

Documents Used:

- Meeting Minutes: June 14, 2017 (Open & Executive Session)
- Internal Audit Charter, Doc. T06-061, as amended
- University's Annual Financial Statements, Doc. T17-063
- Report on Major Federal Program Compliance with OMB Uniform Guidance and Report on Massachusetts State Financial Aid Programs, Doc. T17-064
- Report by Grant Thornton, Doc. T17-043

Vice Chair Karam convened the meeting at 10:18 a.m. and stated that the Committee had been provided with a draft copy of the Open Session minutes of the June 14, 2017 meeting and asked for any corrections. With no corrections, the minutes were approved.

Vice Chair Karam then announced the meeting's agenda.

Report by the Director of Internal Audit

Mr. David provided a brief summary of Internal Audit's activity during Fiscal Year 2017, including progress against its audit plan. He highlighted projects Internal Audit is conducting, year-over-year and other statistics around audit observations made, including the type and level of risk they pose. He then discussed the status of management action plans, including how many have been completed and are outstanding. He noted Management continues to prioritize addressing their action plans and closing control gaps. He then briefly discussed the relationship between the University's Enterprise Risk Management program and the work Internal Audit performs and how

Audit Committee
November 28, 2017

ERM informs audit planning. He then highlighted how audit observations relate to ERM risks identified by Management.

Mr. David went on to provide a status of external audit activity around the University, including the University's and its related entities' financial statement audits, federal grant audits and ongoing State audits. The Committee asked questions about audit resources, how risks are communicated University-wide and similar audit observations identified across the University to which Mr. David responded.

Mr. David went on to explain that annually the Committee has an opportunity to review and approve the Internal Audit Charter ("Charter"). He stated that the Charter complies with the Institute of Internal Auditors Standards and meets the needs of the University. He highlighted that no revisions to the Charter were required since it was last approved.

Vice Chair Karam then asked for a motion to approve the **Internal Audit Charter**. He 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:

- The Internal Audit Charter (Doc. T06-061, as amended)

Vice Chair Karam asked for a vote and the motion passed unanimously.

Enterprise Risk Management Update

Mr. Hescoock then provided a status of the University's ERM program. He highlighted what ERM is and the benefits it provides the University, including having a holistic view of risks, promoting a safe and secure environment, meeting regulatory and rating agency requirements and having a process to proactively identify, evaluate and mitigate key risks. He also noted that with the continued support of the President and Chancellors the program has built a strong process which includes the President's Office and all campuses. He went on to discuss the progress made since the last Committee meeting that included facilitated group sessions with over 150 leaders from across the University to identify and discuss risks and mitigation strategies, and the accomplishments of the first annual ERM Summit. He highlighted that campuses have an ERM team that meet regularly and collaborate with the other campuses to identify and share risks and best practices. He then provided the schedule of ERM activity that will lead up to the next Audit Committee update. The Committee and Management discussed benchmarking the University's ERM program and risks to peer institutions.

As part of the ERM presentation, Mr. Hescoock introduced Mr. Letchford who provided a summary of observations that he has made since joining the University earlier in the year. He discussed, among other things, University IT posture, cybersecurity risks, infrastructure, enhancements to his department's organizational structure, system-wide coordination and IT

projects being performed across the University. The Committee asked questions on various topics to which Mr. Letchford responded and discussion ensued.

Report by Grant Thornton

Mses. Esten and Warger presented results from their firm's audits of the University's financial statements, and Federal Uniform Guidance and MA Financial Aid compliance. They highlighted, among other things, significant risks, their areas of focus and testing results. Mr. Esten noted that the audit of the University's financial statements resulted in an unqualified audit opinion and went on to highlight the summary of financial statement adjustments identified and that they agreed with the way Management handled them. They highlighted that there were no material control weaknesses or significant control deficiencies identified regarding the University's financial statements. They did however note that one control deficiency was identified and the Committee asked questions and discussed with Management and Ms. Esten the financial statement consolidation process, ways to improve and make it more efficient

Ms. Esten commented that they evaluated the accounting for transactions to finance and construct the residence hall on the Boston campus via a public private partnership and no issues were noted. Ms. Warger then highlighted that the Uniform Guidance audit resulted in three findings and the MA Financial Aid audit resulted in no findings.

Vice Chair Karam then asked for a motion to approve the **University's Annual Financial Statements** and **The Report on Major Federal Program Compliance with OMB Uniform Guidance and Report on Massachusetts State Financial Aid Programs**. Vice Chair Karam 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:

- The University's Annual Financial Statements (Doc. T17-063); and
- The Report on Major Federal Program Compliance with OMB Uniform Guidance and Report on Massachusetts Financial Assistance Programs (Doc. T17-064)

Vice Chair Karam asked for a vote and the motion passed unanimously.

Vice Chair Karam then asked the Committee to vote to enter into **Executive Session** to discuss investigations on the Amherst and Lowell campuses pursuant to General Law Chapter 30A, section 21(a)(7) to comply with the provisions of General Laws to protect the privacy rights of individuals.

Vice Chair Karam announced that the Committee would not reconvene in open session.

Audit Committee
November 28, 2017

It was moved and seconded and the Secretary called the roll with each Trustee asked to vote yes or no to enter in Executive Session for the purpose listed. Vice Chair Karam voted for the motion as did Trustees Buonomo, O'Brien and Wu.

The time was 12:19 p.m.

Christina Kelley
Assistant Secretary to the Board