Chair McCarthy convened the meeting at 10:06 a.m.

The first item on the agenda was **Consideration of Minutes of the Prior Meeting of the Committee**.

It was moved, seconded and

**VOTED**: To approve the minutes of the August 16, 2006 meeting of the Committee.

The next item was the **Report by the Director of Auditing**. Mr. Harrison reported on the audit related activities in process throughout the University’s five campuses and central offices including audits contracted with outside firms and projects by the Office of the State Auditor and Federal audit agencies. He also reported on the hiring of two professional audit staff members.

Vice President Lenhardt then reported on the issue of the year-end audit cash reconciliation process and the steps his office is taking to address the situation including the hiring of additional banking staff. His staff will be working closely with the campuses to identify the participation in the Treasury reconciliation process and an internal audit will be contracting for an independent review of the entire process.
Chair McCarthy commended the staff for tackling this issue in a professional manner and voiced his confidence that this issue will be resolved.

The next item for action was **The FY 2006 Annual Financial Report**. Mr. Hanley from PricewaterhouseCoopers reported on the status of the Financial Report and the Federal OMB A-133 Audit and Management Letter. He discussed the new GASB 42 impairment of capital assets and the potential effect in 2007 due to the closing of the garage on the Boston campus.

Mr. Hanley noted the concern of the lack of the cash reconciliation process in the Treasurer’s Office. It was determined that this issue was caused by a combination of deposits in transfer and a large wire transfer identified at the end of the fiscal year. PricewaterhouseCoopers is in the process of determining whether the deficiency is a reportable condition or a material weakness that requires communication to the Audit Committee in the Management letter.

It was then moved, seconded and

**VOTED:** To recommend that the Board accept the following report:


The next item for action was **Approval of the Annual Audit Plan**. The Plan covered areas of Information Technology, follow-up reviews, business processes, compliance, general operational subjects and all external contracting.

At the request of the Chair, the report will be distributed to the full Board.

The next item was the **Internal Audit Report on Disaster Recovery/Business Continuity Planning**. Vice President Gray addressed the Committee about the importance of this subject; he noted all Information Technology units are taking steps to ensure an operational environment in the event of a disaster.

Chair Tocco suggested setting up a mock disaster once a year trying out the effectiveness of each campus to handle it and indicated that we should explore the possibility of obtaining funds from Washington that would cover these expenses. Chair McCarthy stated his belief that each campus needs a Risk Manager in place and that a job description for said position should be drafted.

The members of the Committee asked for an update of this subject at the next meeting.

The next item was the **Internal Audit Charter**. This Charter will replace the Audit Protocols by clearly stating the mission, independence, authority and general protocol for handling all audit matters.
Audit Committee
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It was moved, seconded and

**VOTED:** To recommend that the Board accept the following Audit reports:

1. Annual Audit Plan (Doc. T06-060)
2. Internal Audit Report, Disaster Recovery/Business Continuity Planning (Doc. T06-059)

And further,

To recommend that the Board take the following action:

3. To rescind the Audit Protocols as stated in Doc. T92-062 and to adopt the Internal Audit Charter as stated in Doc. T06-061.

The meeting adjourned at 11:37 a.m.

Barbara F. DeVico
Secretary to the Board of Trustees