

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

**Thursday, November 29, 2018; 8:00 a.m.  
Boston Room  
University of Massachusetts Club  
One Beacon Street – 32<sup>nd</sup> Floor  
Boston, Massachusetts**

**Committee Members Present:** Chair Furman; Vice Chair Karam; Trustee Woolridge

**Absent Trustees:** Trustees O'Brien and Wu

**Other Trustees:** Trustee Scheibel

**University Administration:** President Meehan; General Counsel Leone; Senior Vice President Calise; Chancellors Collins, Johnson, Newman and Subbaswamy; Director of Internal Audit David; University Controller Cevallos; Chief Information Officer Letchford; Chief Information Security Officer Smith

**Grant Thornton:** Claire Esten, Engagement Partner

**Documents Used:**

- Meeting Minutes: June 6, 2018
- Internal Audit Charter, Doc. T06-061, as amended
- University's Annual Financial Statements, Doc. T18-075
- Report on Major Federal Program Compliance with Office of Management and Budget ("OMB") Uniform Guidance, Doc. T18-076
- Report by Grant Thornton, Doc. T18-043

Chair Furman convened the meeting at 8:05 a.m.

**Consideration of Minutes of the prior meeting of the Committee**

Chair Furman stated that the Committee was provided with a draft copy of the minutes of the June 6, 2018 meeting and asked for any corrections. With no corrections, the minutes were approved.

Chair Furman 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 2018, including progress against its audit plan. He highlighted the number of projects Internal Audit completed and is conducting and other audit plan statistics. He then discussed the status of management action plans, including how many have been completed and are outstanding as well as Management's efforts to resolve them. He then went on to provide the Committee with a presentation on fraud,

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what is done at the University to prevent and detect it and its impact on higher education. The Committee discussed with Mr. David and Management, among other things, the reasons why the University's fraud losses are lower than the industry average and cybersecurity training deployed by the University.

Mr. David provided 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.

Mr. David then stated that annually the Committee has an opportunity to review and approve the Internal Audit Charter ("Charter"), and noted 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.

**Summary of Fiscal Year 2018 Financial Statements**

Mses. Calise and Cevallos provided highlights of the University's fiscal year 2018 financial results, and improvements made to the year-end financial statement processes and the financial statements. They also reported on the impact to the fiscal year 2018 financial statements of implementing the new accounting pronouncement, *Governmental Accounting Standard Board ("GASB") No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The Committee asked questions about what makes up the GASB No. 75 liability, related expenses, and its effect on rating agencies' assessment of the University, to which Mses. Calise and Cevallos responded.

**Report by Grant Thornton**

Ms. Esten presented results from her firm's audits of the University's Financial Statements and Federal Uniform Guidance compliance. She highlighted, among other things, significant risks, their areas of focus, testing results and other required communications. Mr. Esten noted that the Uniform Guidance audit resulted in no findings, 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. She noted that there were no material control weaknesses or significant control deficiencies identified regarding the University's financial statements; however, a control deficiency was identified during the audit of the University of Massachusetts Building Authority ("UMBA") and it was not considered a deficiency at the University. The Committee asked questions regarding the UMBA control deficiency and steps being taken to remediate, to which Ms. Esten responded. The Committee also asked if a shared services model is a best practice and provides better control, to which Ms. Esten responded that it is in organizations like the University.

Ms. Esten also commented on new and evolving GASB pronouncements, including those affecting public private partnerships and leases. The Committee asked questions regarding the pronouncements' impact on existing and future public private partnerships that the University enters into, to which Ms. Esten responded. Ms. Esten stated that the firm evaluated the accounting for the transaction to purchase Mt. Ida and no issues of concern were noted.

**Action Item #s 1, 2 & 3: Approval of the Internal Audit Charter, Doc. T06-061; Approval of the University's Annual Financial Statements, Doc. T18-075; and Approval of the Report on Major Federal Program Compliance with OMB Uniform Guidance, Doc. T18-076**

Chair Furman asked for a motion to approve the Internal Audit Charter, the University's Annual Financial Statements, and the Report on Major Federal Program Compliance with OMB Uniform Guidance. She 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:

- Internal Audit Charter;
- University's Annual Financial Statements; and
- Report on Major Federal Program Compliance with Office of Management and Budget ("OMB") Uniform Guidance.

The Chair then asked for a vote and the motion passed unanimously.

**Executive Session Announcement**

Chair Furman then asked the Committee to vote by way of Roll Call Vote to enter into Executive Session to discuss the deployment of information technology security strategies and tools by the University pursuant to General Law Chapter 30A, section 21(a)(4) to comply with the provisions of General Laws to protect University systems and data; and to conduct strategy sessions in preparation for negotiations, and contract negotiations, with non-union personnel pursuant to General Laws Chapter 30A, section 21 (a)(2).

Chair Furman announced that the Committee would reconvene in Open Session at the conclusion of the Executive Session.

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 those purposes listed. Chair Furman voted for the motion as did Vice Chair Karam and Trustee Woolridge.

The time was 9:17 a.m.

**Reconvene in Open Session: Appointment of University's Independent External Auditors, Doc. T18-070**

Chair Furman reconvened the meeting at 9:40 a.m. and asked for a motion to approve the Appointment of University's Independent External Auditors. She asked for questions or discussion. It was moved and seconded.

To recommend that the Board approve the following:

- The appointment of KPMG as the University's Independent External Auditor, succeeding Grant Thornton.

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The Chair then asked for a vote and the motion passed unanimously.

There being no further business, the meeting adjourned at 9:41 a.m.

Christina Kelley  
Assistant Secretary to the Board