

UNIVERSITY OF MAINE SYSTEM
Board of Trustees

May 9, 2008

Audit Committee Meeting

Present: **Committee Members:** Lyndel Wishcamper, Chair, Norman Fournier, Charles Johnson, Barry McCrum, Marjorie Medd, Victoria Murphy, and Margaret Weston. **Other Trustees:** James Dowe. **Chancellor:** Richard Pattenaude. **System Staff:** James Breece, Darla Baker, Tracy Elliott, Ed Nobles, and Joanne Yestramski. **Guests:** Janet Waldron - UM, Anthony O'Reilly – PWC, John Penn – PWC, Steven Caron – KMPG, and Scott Warnetski – KMPG.

Trustee Wishcamper, Chair, called the meeting to order.

Risk Overview Update. Tracy Elliott, Director of Finance & Controller, provided an update on the UMS Risk Overview matrix. She provided a brief history of the UMS' Risk Management process and explained the layout of the example Risk Overview document included in the Audit Committee mailing. A comparative review of all seven universities risk assessments will be done to help highlight overlap in any areas of concern and to allow for greater sharing of risk management solutions among universities. This on-going assessment of the System's risks has led to the implementation of a number of important measures including:

- The addition of specific inquiries regarding an applicant's criminal history in the standard enrollment application, including uniform follow-up processes and procedures
- Measuring and enhancing emergency response systems at our campuses
- Expansion of harassment prevention training to include all harassment types
- Training of Human Resources professionals and other campus personnel on guidelines for involuntary work-force reductions
- Implementation of a System-wide Supervisor Development Institute
- Implementation of tenure evaluation training program
- Creation of System-wide Pandemic Planning Committee
- Implementation of Financial Oversight Plan
- Implement Campus Computer Use and Abuse policies
- Conducting an independent review of our property-liability risk financing programs and practices
- Update of Administrative Practice Letters
- Student Code of Conduct Reviews (3 year reviews)
- Review and update of student travel abroad forms and practices
- Updating policies regarding weapons on campus
- Eliminating the use of social security numbers as a student identifier

Initiatives in progress include Electronic Records Retention Task Force, development of System-wide risk management guidelines and forms with web access, and IT security issues.

Mr. Michael Sauda, UMS Safety and Environmental Manger, provided an overview of UMS emergency preparedness, the training projects, and the recent situation at UMFK due to flooding in Fort Kent.

Proposed UMS Audit Committee Agenda Calendar. Ms. Yestramski reviewed the proposed UMS Audit Committee agenda calendar and recommended the following agenda items for the November

meeting: KPMG Report including Management Comments and Accounting Standards, Audited Annual Financial Statements, Internal Audit update, and the Financial Oversight plan update. Trustee Weston asked about combining the Audit & Finance/Facilities Committee. Mr. Steve Caron from KPMG strongly recommended keeping these two committees autonomous because the Audit Committee includes areas and topics that the Finance/Facilities would not cover. Mr. Anthony O'Reilly from PricewaterhouseCoopers (PWC) agreed with Mr. Caron and suggested the Audit Committee adopt an agenda calendar like the one proposed by Ms. Yestramski. Trustee Wishcamper suggested reviewing the Audit Committee work plan to see if there is a need to increase the number of Audit Committee meetings.

Internal Audit Function – Proposed Plan and Budget FY09. Mr. Anthony O'Reilly from PricewaterhouseCoopers (PWC) presented an internal audit update including the principle focus of the internal audit function at UMS from his perspective, an update of the audit services performed by PWC this past nine months, and the proposed internal audit plan for FY2009. Based on UMS' current need and circumstances, internal audit should focus on base-lining the key internal controls across the system. The principal focus should include evaluating effectiveness of controls, fostering awareness of risk and control, and operating independently. The secondary focus should include providing focuses risk coverage and controls consulting to departments.

Mr. O'Reilly reviewed activities of a control environment including assessing risk, establishing guidance, monitoring activities, and responding to issues. Mr. O'Reilly talked about how internal audit assists UMS management with the control environment by monitoring controls and responding to issues. Chancellor Pattenaude asked Mr. O'Reilly if the UMS should continue to do reviews/assessments, similar to the assessment that was just completed for USM, for the other campuses. Mr. O'Reilly feels it would be beneficial to continue this type of assessment for all of the campuses. Ms. Yestramski recommended the next two campus assessments be scheduled for UMA and UMF. Trustee Wishcamper commented that he feels the current co-source internal audit function works well for the UMS at this point in time.

Mr. O'Reilly provided the key results from recently completed fieldwork at UMaine. This included a review of risks for the Advance System pre-go-live including implementation before process re-design, controls assessment and ongoing maintenance and ownership structure of the system. In addition an Advance IT Security Assessment was performed to review security settings, server, and database configurations. The Advance software will be used for campus fundraising and donor information. Trustee Wishcamper suggested the results of the Advance IT Security Assessment be reported back to the Audit Committee.

Internal Audit Projects at UM. Ms. Janet Waldron, Vice President for Administration at UM, provided an update on the internal audit projects in progress at the University of Maine. The internal audits scheduled for FY2009 include the Department of Industrial Cooperation (DIC) Audit, Facilities Audit, and Sponsored Research Audit.

KPMG 2008 Audit Plan. Mr. Steven Caron from KPMG, the University's independent auditors, discussed the 2008 Audit Plan including information about the engagement team, audit methodology, a timetable for the financial statement and A-133 audits, and current and emerging accounting and auditing matters.

Mr. Scott Warnetski from KPMG reviewed the KPMG's Audit Methodology (KAM). The KAM is their audit methodology that facilitates and enhances audit quality. The four components of the KAM are planning, control evaluation, substantive testing, and completion.

The new accounting pronouncements effective for FY2008 include GASB 45, Accounting and Financial Reporting by employers for post-employment benefits plans other than pensions and GASB 50, Pension Disclosures, which revises standards for disclosing pension related information in the footnotes of employers' financial statements.

The future accounting pronouncements will include GASB 49, Accounting and Financial Reporting for Pollution Remediation Obligations. This will be effective fiscal year ending June 30, 2009 which establishes accounting and financial reporting for pollution remediation obligation including asbestos removal, hazardous waste clean-up, and post-remediation monitoring. It was recommended that Mr. Eduard Dailide, Director of Facilities and Planning, review this new requirement with KPMG.

FY2007 OMB Circular A-133 Report. Mr. Caron reviewed the OMB Circular A-133 audit of the University of Maine System for fiscal year 2007. The UMS total expenditures of Federal Awards were \$231 million of which \$140 million was for Student Financial Assistance. The independent auditor's report on compliance was favorable as indicated by the unqualified opinion. A significant deficiency in internal control over compliance with requirements applicable to the Student Financial Aid cluster was reported but no material weaknesses. Mr. Caron congratulated the UMS on the audit.

Executive Session

On a motion by Trustee Weston, which was seconded by Trustee Fournier, the Audit Committee agreed to go into Executive Session under provisions of 1 MRSA Section 405 6A to discuss personnel issues.

On a motion by Trustee Fournier, which was seconded by Trustee Murphy, the Audit Committee concluded Executive Session.

Adjournment

Ellen Doughty for
J. Kelley Wiltbank, Clerk