

Guests: James J. Maguire, PricewaterhouseCoopers, LLP
Michael MacBryde, PricewaterhouseCoopers, LLP
Karen Kassar – PricewaterhouseCoopers, LLP
Mike Brennan, Parente Randolph
David Naser, Parente Randolph
Michael Brennan, Parente Randolph

- A. The June 4, 2008 Audit Committee Report and Executive Summary was presented and accepted with no changes.
- B. Parente Randolph provided a report on their review of The University Hospital Accounts Receivables. In response to a question from Mr. Hildebrandt, Ms. Mulkern advised that the implementation of corrective actions to address the issues presented by Parente Randolph, would be a collaborative effort between Central Administration and University Hospital, and the monthly analysis would be closely monitored. Ms. Wittenstein will provide an update on the status of work being put into a discount policy and added that the new CFO of UH is starting shortly.
- C. Mr. Rowan updated the Committee on Internal Audit activities. He reported a new internal auditor was recently hired and is starting to work on August 4, 2008. This individual will be based in Stratford. In response to a question from Mr. Hoffman on Internal Audit staffing levels and the budget, Mr. Rowan advised that there is continuing reassessment of the department resources as well as ongoing communications with Mr. Hildebrandt on this subject. Mr. Hildebrandt advised that he would be discussing the budgets and staffing needs of Internal Audit and the Office of Ethics & Compliance directly with Dr. Owen.
- D. Three audit reports were presented for discussion:
- University Hospital Security Review of Wireless Communications
 - Review of Cellular Phone and Pager Operations
 - Accounts Payable and Purchasing Audit
- 1) The committee discussed the UH Security Review of Wireless Communications. Although the audit report opinion was “At Standard,” Mr. Hildebrandt noted there were areas of concern including the budgetary impact of moving access points as well as the use of generic accounts. Ms. Romano advised that IS&T has put a process in place to monitor and audit generic accounts with the expectation of reducing the number of accounts.
- 2) The committee then discussed the report on the Review of Cellular Phone and Pager Operations. Mr. Rowan discussed the issues identified in the report and advised the committee that he and Ms. Mulkern had a discussion about identifying best practices that may be implemented to ensure the University is in compliance with the IRS regulations. The committee discussed the other issue identified in the report

including inventory controls over phones and the need to strengthen the termination process. Mr. Hildebrandt requested an update on these issues at the September Audit Committee meeting.

- 3) The Audit Report on Accounts Payable and Purchasing was discussed. In response to a question from Mr. Hildebrandt, Ms. Mulkern advised that Accounts Payable and Purchasing are in the Finance group. The Controller is responsible for accounts payables, and the VP of Supply Chain Management is responsible for the purchasing functions. Mr. Hildebrandt noted that he considers the negative confirmation process, which allows invoices between \$500 and \$4,500 to be paid without authorized approvals as risky and requested details on the number of transactions and dollars for the next meeting. Ms. Mulkern advised the committee the negative confirmation process was recommended by Ernst & Young in a report issued a few years ago.

Other issues presented in the report were discussed, including the need for improved controls to ensure a three way match occurs with purchase order, receiving documents, and invoices, and the processes are in place to make sure the university takes advantage of payment discounts from vendors. The committee requested an update on the status and any actions taken as a result of the conflict of interest issues identified in the report.

- D. Mr. Rowan presented the Internal Audit FY2009 work plan and provided background on the Risk Assessment process performed to develop the plan. He advised the planning relied on the professional judgment of the Internal Audit staff as well as input from the President and members of the President's Cabinet. Mr. Rowan envisions this process being enhanced in future years to ensure input from all levels of management is included in the process.

The material furnished to the Committee also included audit subjects that were considered based on the risk assessment process but not incorporated in the final plan. Mr. Hoffman noted the audit of the co-generation plant was considered and requested management provide an analysis of potential operational issues at the co-generation plant at the September Finance Committee.

- E. The Committee on Internal Control Processes submitted the minutes of its meetings held on June 5 and June 19, 2008. The revised Financial Roles and Responsibility Policy was presented as it was revised to incorporate a requirement that unit fiscal officers document and justify any changes to their accounts receivable collectability model. To help the Trustees in understanding some of the issues, Mr. Hildebrandt requested an organizational chart for Finance be presented at the September meeting. Dr. Owen added that he will provide an organizational chart of the top two levels of the University.
- F. Ms. Mulkern provided an update on Interdepartmental transfers. Mr. Hildebrandt requested that monthly updates continue on this issue.

- G. Mr. Hildebrandt announced that based on ongoing discussions with the UMDNJ Foundation, the Audit Committee had decided to withdraw the University's letter of the Foundation regarding the prior internal audit.
- H. The Committee went into executive session.