

UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

BOARD OF TRUSTEES

AUDIT COMMITTEE

Charter

This Charter sets forth the responsibilities of the University Board of Trustees Audit Committee.

I. Principal Responsibilities

The principal responsibilities of the Committee shall include:

- a. promoting the development and monitoring the effectiveness of an institutional system of risk assessment and internal controls;
- b. reviewing and, as appropriate, making recommendations to the Board, regarding institutional policies relevant to the scope of Committee responsibilities, including conflict of interest, ethical and fraudulent conduct, whistleblower protection, and documents retention;
- c. ensuring that audit plans encompass significant and material aspects of University operations;
- d. full authority and oversight of the internal audit function including appointment decisions, performance evaluations, and employment termination of the chief internal auditor;
- e. selecting and retaining the independent auditor and recommending such additional audits as the Committee and/or the Board must approve under the Board's reserved authority;
- f. maintaining direct and effective communication with independent auditors on behalf of the Board;
- g. reviewing the results of internal and external audits (including the annually audited financial statement), and assessing the quality and timeliness of management's response and corrective actions;

h. evaluating the scope and quality of internal and independent audit services, and the degree of coordination and appropriate degree of independence between them; and

i. reporting regularly and promptly to the Board regarding matters within the scope of the Committee charge.

II. Membership

The University of Vermont Board of Trustees shall annually appoint at least 7 of its members to the Committee. Its members shall be independent of management and the University including its component units and affiliated organizations. For the purposes of this charter, “independence” is defined as rendering a Trustee ineligible for Committee service if he or she is (1) is employed by the University; (2) is a partner or employee of a firm retained to conduct an audit of the University; (3) held such University employment or audit engagement at any time during the previous three years; or (4) is receiving consulting, advisory, or other compensatory fees for services provided to the University. Members of the Investment Subcommittee are eligible for appointment to the Audit Committee, but no such member may serve as its Chair or Vice Chair. The University President is ineligible for service as a member, ex officio or otherwise, of the Audit Committee, as a University official and employee.

Committee members shall otherwise be subject to the Conflicts of Interest Policy in the conduct of their work.

Members of the Committee shall receive orientation appropriate to their Committee membership. They will have the goal of understanding general accounting, business and finance principles, including the ability to read and understand institutional financial statements. If possible, at least one member of the Committee will possess accounting or financial expertise.

III. Authority

The Committee is authorized to investigate any matter within the scope of its Charter, with full and direct access to all pertinent University records, personnel, independent auditors and consultants.

IV. Adoption of Charter

This Charter shall be effective as of the date of its approval by the Board. The Committee will periodically review the Charter and recommend to the Board revisions thereto, in view of evolving accounting standards, legal developments and experience gained.

Audit Committee Guidelines

These Guidelines serve as an operational supplement to the Audit Committee Charter. They are intended to reflect generally accepted accounting industry standards and practices applicable to non-profit corporations and higher education institutions. The Guidelines shall be reviewed annually by management, and management shall report annually to the Committee regarding the status of the Guidelines. The Committee shall make revisions to the Guidelines as necessary or appropriate in view of evolving accounting standards and practices, legal developments and experience gained.

I. Retention of the Independent Audit Firm

- a. The Committee shall annually select and retain an independent audit firm to conduct mandatory annual financial attestation and/or compliance audits. In conjunction with such selection, the Committee will assess the independence and objectivity of the firm by reviewing and assessing the letter the firm issues under Independence Standards Board Standard No. 1. The Committee will review and assess any relationships disclosed that may impact auditor objectivity and independence.
- b. The Committee shall solicit requests for proposals relative to mandatory annual financial attestation and/or compliance audits from qualified independent audit firms no less than once every five years.
- c. In the event that an independent audit firm is retained to conduct a mandatory annual financial attestation and/or compliance audit for seven or more consecutive years, the Committee shall, as a condition of retention of the firm, require rotation of the lead audit partner on the University engagement.

II. Retention of Other Audit Services

- a. The independent audit firm retained to conduct mandatory annual financial attestation and/or compliance audits generally shall not be eligible for University engagements to perform non-audit services that would violate the U.S. General Accounting Office Independence Standard, including bookkeeping; financial information systems design, implementation or operation; appraisal or valuation services, fairness opinions or contribution-in-kind reports; internal audit outsourcing services; management functions or human resources; broker or dealer, investment advisor, or investment banking services; legal services and expert services unrelated to the audit; or preparation of the indirect cost proposal or cost allocation plan. If, due to extenuating circumstances, and in the exercise of its reasonable discretion, management deems it to be in the best interests of the University to retain the independent audit firm for non-audit services, the proposed retention is subject to review and action by the Committee where the retention will result in fees of \$10,000 or more.

b. Contracts for non-audit services with independent audit firms not already retained by the University to conduct mandatory annual financial attestation and/or compliance audits are subject to review and recommendation by the Committee and subsequent Board consideration and action when such retentions will result in fees of \$ 250,000 or more.

III. Oversight of Audits

The Committee will, no less than once annually, and otherwise periodically as necessary or desirable:

a. review annual audit plans developed by the Office of Institutional Risk Assessment and Audit Services, and receive regular progress reports relative to such plans;

b. review and approve audit plans developed in consultation with independent audit firms, including (i) the critical accounting policies and practices to be used; (ii) all alternative treatments of financial information discussed with management, ramifications of alternative treatment and the treatment preferred by the firm; (iii) other material communications between the firm and management; and (iv) required communications from the firm under Statement of Auditing Standards No. 114, as amended;

c. review and approve mandatory annual financial attestation and/or compliance audit reports, including the annual audit reports on federal awards received as required by Office of Management and Budget Circulars (*e.g.*, A-133) and the financial agreed upon procedures report of institutional National Collegiate Athletic Association programs;

d. resolve disagreements between management and the independent audit firm regarding financial reporting;

e. review the independent audit firm management letter comments regarding institutional financial internal controls, accounting policies and procedures, and management's response to those comments;

f. review with management, the Office of Institutional Risk Assessment and Audit Services, and the independent audit firm their respective judgments about the quality of University accounting principles; the consistency, and the degree of aggressiveness or conservatism, in the application of accounting principles; the reasonableness of significant accounting judgments; and the clarity and completeness of the financial statements and related disclosures;

g. confirm with management, the Office of Institutional Risk Assessment and Audit Services and the independent audit firm respectively that the annual financial statements disclose all material off-balance sheet transactions, arrangements, obligations, and other relationships of the University with unconsolidated entities or

other persons that may have a material current or future effect on institutional financial condition, and the results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses;

h. receive reports from management, the Office of Institutional Risk Assessment and Audit Services and the independent audit firm, regarding new and significant accounting standards to understand their impact on institutional financial statements;

i. receive reports from the Office of Institutional Risk Assessment and Audit Services regarding any financial fraud which, in single incident or aggregate, results in an institutional uninsured or insured loss in excess of \$10,000;

j. review the organizational structure, qualifications, independence, scope of services inclusive of office charter, and adequacy of resources of the University's Institutional Risk Assessment and Audit Services Office;

k. annually review the appointment, evaluate the performance and set the salary of the chief internal auditor;

l. identify and document specific administrative responsibilities relevant to the routine operations of the office of chief internal auditor that are assigned to the President;

m. ensure that regular quality assessment reviews of the internal audit operations are performed in accordance with IIA standards; and

n. meet separately with both the internal and external auditors without management representatives present subject to the requirement of the Vermont open meeting laws.

IV. Internal Controls

a. Certifications

i. The Committee will receive periodic reports from management on attestations it is rendering in conjunction with mandatory annual financial attestation and/or compliance audits as well as significant and material debt financing, such as issuance of bonds.

ii. Without limitation on 4.a(i), the Committee will receive from the Chief Financial Officer record of certification along with the annual financial statement report that:

- a. He/she has approved the audit report,
- b. Based on his/her knowledge, the report does not contain any material untrue statements or omissions,
- c. Based on his/her knowledge, the financial statements materially present the financial condition and result of operations,

- d. He/she is responsible for establishing and maintaining a system of financial internal controls, and that
- e. He/she has disclosed to the auditors and the Audit Committee all significant internal control deficiencies and changes that could materially affect financial data.

b. Policy Review.

The Committee will receive for its review and comment and, if necessary, its recommendation to the Board, institutional policies relevant to its scope of work, including conflict of interest, ethical and fraudulent conduct, whistleblower protection, and documents retention.

c. Required Disclosures and Compliance Monitoring.

The Committee shall oversee compliance with the Board Reserved Rights and Delegated Authority resolution. Violations of the Board Reserved Rights and Delegated Authority resolution identified by management or the internal audit office shall be reported to the Committee.

d. Confidential Reporting.

The committee will ensure that the University has a mechanism that permits confidential communications from employees and others regarding potential financial or accounting improprieties or nonfeasance.

As approved by the Board of Trustee: November 13, 2004

Approved as amended by the Board of Trustees: September 8, 2007

Revised by the Audit Committee: November 12, 2007

Approved as amended by the Board of Trustees: December 1, 2007

Revised by the Audit Committee: April 28, 2009

Approved by the Board of Trustees: May 16, 2009