AUDIT COMMITTEE
BOARD OF TRUSTEES
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Friday, December 14, 2007 in the Jost Family Foundation Room at the Dudley H. Davis Center.

MEMBERS PRESENT: Chair Edwin Amidon, Jr., Vice Chair John Snow, Bill Botzow, and Beth Rice

MEMBERS ABSENT: Jeffrey Davis and Jeanette White

REPRESENTATIVES PRESENT: Staff Representative Renee Berteau and Student Representative Sarah Shackett

REPRESENTATIVE ABSENT: Alumni Representative Bill Cimonetti and Faculty Representative (vacant)

PERSONS ALSO PARTICIPATING: Carl Lisman, Chair, Board of Trustees, J. Michael Gower, Vice President for Finance and Administration and University Treasurer, Bonnie Cauthon, Associate Vice President for University Financial Services and Controller, Charles Jefferis, Associate Vice President for Institutional Risk Assessment and Audit Services, George Thabault, Deputy State Auditor, and Renee Bourget-Place and John Moriarty, KPMG LLP

Chair Edwin Amidon called the meeting to order at 9:05 a.m. Chair Amidon initiated a round of introductions of all present in the room.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the November 12, 2007 meeting.

Review of FY 2007 Financial Statement Audit and Management Letter

John Moriarty announced to the Audit Committee that Renee Bourget-Place has become a partner at KPMG LLP and will be responsible for the University of Vermont’s audit in that capacity after the wrap-up of the FY 2007 A-133 and NCAA audits.

KPMG’s objectives for the fiscal year 2007 financial statement audit were:

- Conduct an independent audit of the University’s financial statements in accordance with generally accepted auditing standards.
- Provide the Board of Trustees independent assurance as to whether or not the University’s financial statements for the year ended June 30, 2007 are presented
fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.

- Provide the Board of Trustees with additional information regarding its audit and the University’s accounting and financial reporting process as required under SAS 114, *Communication with Audit Committees*.

Mr. Moriarty noted the following regarding the FY2007 audit:

- The financial statements are the responsibility of management.
- The University’s financial statements received an unqualified opinion from KPMG.
- KPMG’s responsibility is to express an opinion on the financial statements.
- The audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards.
- In their opinion, the 2007 financial statements are presented fairly in accordance with the U.S. GAAP.
- KPMG does not render an opinion on UMEA, an affiliated organization, but simply accepts the relevant information from its audited financial statements.
- KPMG does not render an opinion on the management discussion and analysis (MD&A) contained in the University’s annual report.
- The Statement on Auditing Standards 112 was in effect during this audit, which required reports of internal control weaknesses to be categorized as control deficiencies, significant deficiencies, or material weaknesses.

The grants and contracts issues were discussed. In order to avoid compliance issues, some grant revenue remains uninvolved because Peoplesoft is not fully implemented. Vice President Gower explained that a national consultant (Huron) has been retained and every grant has now been reviewed and entered or corrected in the system. This should be completed by December 31. Once this is complete, best practices standards as recommended by the consultant will be put in place to keep project information current and reconciliation between FY’07 and FY’08 reporting will be accomplished. Huron has provided an interim Grants and Contracts manager. A national search will be underway in January for a new manager.

The Committee asked for a report from Vice President Gower at the February meeting on the Peoplesoft implementation, manager recruitment, reconciliation of ’07 and ’08 reporting, and mandatory training for principal investigators. The committee requested a set of the 6 or 7 grant and contract metrics showing the status of required reports, outstanding invoices, performance goals, etc. Vice President Gower noted he is receiving these metrics on a weekly basis and will prepare this for the February meeting. He also reported that a contract price adjustment will be requested from Peoplesoft to compensate for defects in the software.

In regard to a finding in the Management Letter regarding charging of $2500 in inappropriate business meal and hospitality expenses by one officer, Associate Vice President Jefferis stated that the internal audit office has been conducting audits of all
senior management. In response to the initial audit, Gary Derr, Chief of Staff, distributed a memo to all senior management that outlined the policies and procedures to be followed. This memo was shared with the Committee. The Committee asked that the Governance Committee formalize rules and procedures for similar Trustee expenses.

The Committee proposed that quarterly the Chair of the Audit Committee should review the President’s business meals and hospitality expenses to avoid appearance of impropriety problems which have occurred at other institutions. The Committee will discuss this procedure further at its February meeting.

In response to the Management Letter comment regarding a few instances of self approval of journal entries, Vice President Gower was asked to report at the February meeting on efforts to insure secondary approval.

The Committee asked John Moriarty of KPMG to meet with the Investment Subcommittee regarding the procedures for valuing alternative investments for the year-end audit. He will do so at the subcommittee’s February meeting.

Committee members raised the issue of KPMG’s materiality threshold for reporting deficiencies in its management letter. Relatively small items were not flagged this year but have been in the past and will be again in 2008.

**A-133 and NCAA Audit Status**

The OMB Circular A-133 (federal grants and contracts) audit work is still in progress and will not be completed by the February meeting. A conference call will be set up in March in view of the March 31 filing deadline. KPMG will inform the Chair of any serious problems which arise prior to the February meeting. The NCAA report is also in progress and should be completed soon.

**Other Business**

Mr. Moriarty alerted the Committee to the emerging UPMIFA (Uniform Prudent Management of Institutional Funds Act) which is pending in the Vermont legislature. He noted that this act allows the university to invade corpus in the case of market decline and maintain spending rate as high as 7%.

**Approval of FY 2007 Financial Statement Audit**

There being no further discussion, the Committee unanimously passed the following resolution to accept the audited FY 2007 financial statements:

**Acceptance of Fiscal Year 2007 Annual Audit**

WHEREAS, the books and accounts of the University of Vermont and State Agricultural College for the Fiscal Year ended June 30, 2007, have
been audited by KPMG, LLP, Certified Public Accountants, under the supervision of the Auditor of Accounts, State of Vermont, and the report of such audit published in detail in accordance with 16 V.S.A. Section 2281(a);

BE IT RESOLVED, that in accordance with authorization contained in the Bylaws, the Board hereby accepts such audit in lieu of the annual audit, and that the same be considered as the report of the Audit Committee.

**Evaluation and Appointment of Audit Firm for FY 2008**

At 11:45 a.m. it was moved, seconded and voted to go into executive session. The Trustee voting members of the Committee met to discuss the FY 2008 contract for professional services with the independent audit firm, KPMG LLP and the FY 2009 RFP. The meeting was re-opened to the public at 12:00 p.m.

The Committee then unanimously passed the following resolution approving contracting with KPMG for FY 2008:

**Audit Firm for Fiscal Year 2008 Audit**

RESOLVED, that the Board of Trustees authorizes the Vice President for Finance and Administration to negotiate and execute a contract with KPMG LLP, Certified Public Accounts, to conduct the annual audit of the University and other related audits for and during the fiscal year ending June 30, 2008. The annual audit shall be conducted in compliance with the requirements of the University Bylaws and state and federal law.

It was also reported that a subcommittee will be appointed to draft the FY’09 RFP. Members also engaged in further discussion of audit issues with John Moriarty and Renee Bourget-Place of KPMG.

**Adjournment**

There being no further business, the meeting was adjourned at 12:34 p.m.

Respectfully submitted,

Edwin Amidon
Chair