A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Thursday, February 8, 2007 in room 427A Waterman Building.

MEMBERS PRESENT: Chair Mark Young, Vice Chair John Snow, Edwin Amidon, Jr., Bill Botzow, Frank Cioffi, and Kami Patrizio

REPRESENTATIVES PRESENT: Faculty Representative Bud Meyers, Staff Representative Renee Berteau and Student Representative Sarah Shackett

PERSONS ALSO PARTICIPATING: Carl Lisman, Board of Trustees, Chair, J. Michael Gower, Vice President for Finance and Administration and University Treasurer, Bonnie Cauthon, Associate Vice President for University Financial Services and Controller, Ted Winfield, Associate Vice President for Budget and Resource Management, Charles Jefferis, Associate Vice President for Institutional Risk Assessment and Audit Services Offices, Mary Dewey, Director, Risk Management, Renee Bourget-Place and John Moriarity, KPMG, and Thomas Salmon and Tim Keefe, State Auditor’s Office

Chair Mark Young called the meeting to order at 12:05 p.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the November 9, 2006 minutes. Chair Young initiated a round of introductions of all present in the room and welcomed the new State Auditor Thomas Salmon and Deputy State Auditor, Tim Keefe.

Review FY2006 OMB Circular A133 Audit Report

Renee Bourget-Place, KPMG, presented this report noting the University received an unqualified financial statement opinion. The total federal award expended was $184,144,485. One audit finding, the need for Suspension and Debarment vendor contract language, was corrected in February 2006, subsequent to the audit fieldwork. The corrective action plan to address the timely filing of sponsored research project status reports, also noted in FY2005, has a July 1, 2007 completion date. It was noted that the incidence of this problem has improved.

The auditors had a repeat observation from the prior year concerned the need for an institution-wide sponsored research regulatory training program (note: UVM received $91 million in federal sponsored research funding). The Institutional Compliance Office, with the assistance of a team of University subject matter experts, is in the process of developing a comprehensive web-based training site to be completed by June 30, 2007.
Another repeat observation concerned the annual certification of research effort and clarification of who is responsible for signing them. The drafted effort report policy has a completion date of February 28, 2007.

Review FY2006 NCAA Financial Audit Report

Renee Bourget-Place, KPMG, reviewed this report noting it is prepared for the University President and is not sent to the NCAA. The audit had a repeat audit observation regarding documentation on non-cash gifts involving the varsity ski program. The University Athletic Director’s office has responded with a corrective action plan, with immediate implementation. For comparative purposes, a prior year column was included in the Statement of Revenue and Expenses as requested by Chair Young.

KPMG Fiscal Year 2007 Audit Plan

John Moriarity reviewed KPMG’s FY2007 audit timeline and plan (i.e., the year end financial statement, OMB A-133, and NCAA-Agreed-Upon Procedures audits). He outlined the four primary steps leading to a reasonable but not absolute assurance that the financial statements are free of material misstatement, whether caused by error or fraud. Due to recent dishonest activities in the corporate world, emphasis is taking place in this decentralized environment at the department level. Mr. Jefferis outlined the University’s efforts to detect and deter fraud including its Fraudulent and Dishonest Conduct Policy (including a whistleblower procedure). He noted the University’s current efforts of improving these efforts by developing an institution-wide ethics program.

Another critical audit concern is valuation of investments. Investment managers are being made aware of the problem and are trying to assist by adjusting year end schedules and improving disclosure on unpriced assets.

Statement on Auditing Standards 112 “Communicating Internal Control Matters Identified in an Audit”, effective for the June 30, 2007 audits, received significant discussion. Mr. Moriarity prepared the Committee for more management letter observations beginning with the June 30, 2007 audits. In the past, an adjustment after the financial report was published was not brought to this committee if properly dealt with. Michael Gower and Charles Jefferis outlined the University’s SAS 112 preparedness plan.

Review of University’s Insurance Plan/Coverage

At the request of the committee, Mary Dewey, Director, Risk Management, gave a presentation on the University’s financial risk program through the use of captive insurance companies (including UVM’s insurance risk coverage; loss history; cost of risk; and UVM’s performance). She emphasized the institutional intellectual property of the 16 institutions involved as a huge benefit to us. Asked if OSHA visited campus often, she replied that they have not spent much time here due to our “clean” operations.
Review of Outstanding Audit Observations and Management Action Plan Report

Charles Jefferis presented the current Audit Observations and Open Management Corrective Action Plan report as initially requested by the Committee at their May 2006 meeting. The Committee will continue to receive this report at every meeting.

Several items of concern were effort reporting, general compliance and information security. Also many loose ends in PeopleSoft are being worked on.

Other Business

Chair Young reviewed the Audit Committee work plan for the coming year. It was recommended that the November Audit Committee meeting should be delayed until December due to the new procedures required under SAS 112 and the initial year conversion to the Peoplesoft system.

Also this is the year an RFP a contract needs to be put out for audit services. There should be time allotted for oral presentations at the September meeting.

Bill Botzow thanked Mark Young for his dedication and leadership on the Audit Committee. This was unanimously endorsed by all present at this meeting.

Adjournment

There being no further business, the meeting was adjourned at 3:30 p.m.

Respectfully submitted,

Mark Young, Chair