A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Monday, November 12, 2007, at 1:00 p.m. in the President’s Conference Room, 351 Waterman Building

MEMBERS PRESENT: Chair Ed Amidon, Vice Chair John Snow, Bill Botzow*, Jeffrey Davis*, and Beth Rice

MEMBER ABSENT: Jeanette White

REPRESENTATIVES PRESENT: Faculty Representative Bud Meyers*, Staff Representative Renee Berteau, and Alumni Representative William Cimonetti

REPRESENTATIVE ABSENT: Student Representative Sarah Shackett

PERSONS ALSO PARTICIPATING, J. Michael Gower, Vice President for Finance and Administration and University Treasurer*, Charles Jefferis, Associate Vice President for Institutional Risk Assessment and Audit Services, Bonnie Cauthon, Associate Vice President for Finance and University Controller, Lois Schuster, Assistant Controller, John Moriarty, KPMG* and Renee Bourget-Place, KPMG

*via teleconference

Chair Ed Amidon called the meeting to order at 1:05 p.m. and initiated a round of introductions of all in the room and on the teleconference phone link.

Approval of Meeting Minutes of September 6, 2007; September 20, 2007; and October 4, 2007

Motions were made, seconded, and voted to approve each of the three Committee meeting minutes of September 6, 2007; September 20, 2007; and October 4, 2007 with one abstention

Status Report of the Fiscal Year End Audit

Ms. Bourget-Place, KPMG reported that the financial statement audit field-work is finished and barring any unforeseen problems, they are on target for the December 14 certification deadline. She noted that determining an accurate grants revenue figure has been the greatest challenge in finalizing the financial statement audit. When questioned why this is the case, she replied, and Vice President Gower concurred, that grant and contract accounting has been the most difficult and complex segment of the PeopleSoft financial system implementation.
In response to the Committee’s concern about the fiscal year 2008 financial statement audit, Ms. Bourget-Place noted that while she cannot be certain, she assumes the fiscal year 2008 closing and audit process will be back to normal time frames. Vice President Gower noted that UVM did deliver draft financial statements to the State by October 15 with the understanding that there may be adjustments to the numbers.

Ms. Bourget-Place reported that the OMB Circular A-133 audit continues to be a more difficult audit due to the PeopleSoft grant and contract accounting challenges noted in the financial statement audit discussion above. Test work on R&D is complete but another major grant program remains to be audited. She is, however, confident that staffing is adequate the audit will be completed by February and filed with the federal government by its March 31, 2008 deadline.

Ms. Bourget-Place recognized Lois Schuster, noting that the December 2007 audit report deadline will be achieved in great part due to Lois’ leadership and hard work. The Committee acknowledged Ms. Bourget Place’s observation and thanked Lois for her outstanding work.

Vice-Chair John Snow noted for the record that he and other trustees recognize that the UVM management and KPMG team has responded well to an emergency. He noted that PeopleSoft is at the root of this difficult year-end closing and audit process. He and others feel that this is an emergency that the University should not have had to deal with. He concluded by observing that UVM management heavily sold the PeopleSoft system to the Board and that Board members are waiting for the good news that was promised to appear.

**Review and Adoption of Revised Committee Charter**

The Committee reviewed the suggested Charter language change redefining independence from management for Committee membership purposes. After a discussion, the Committee also agreed that Investment Sub-Committee members should not serve as the Audit Committee Chair or Vice-Chair.

In addition, the Committee recommended that Committee size should be increased from six to seven members.

As such, the proposed Charter Membership language reads as follows:

The University of Vermont Board of Trustees shall annually appoint at least seven (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 Sub-Committee 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.

There being no further discussion, a motion was made, seconded and voted to approve the Charter language (Attachment A) as revised above.

**Other Business**

The Committee concluded that unless there is an unforeseen turn of events jeopardizing the December 14, 2007 financial statement certification deadline, there is no need for an additional meeting prior to their December 14, 2007 meeting. They asked Ms. Bourget-Place to immediately alert them if an additional meeting is necessary.

The Committee would like a cumulative report of the interim Audit Committee meetings to be presented at the December 1, 2008 full Board meeting. Associate Vice President Jefferis and Chair Amidon will prepare the report.

John Snow requested a report on the student loan lending institution issue and UVM’s position relative to the issue. Vice President Gower will get a report to the Committee.

Vice-Chair Snow requested a report on UVM executive management business expense process. Associate Vice President Jefferis noted that Audit Services is in the process of conducting audits of business meals and hospitality expenses incurred by the President, Vice Presidents, Athletic Director and Deans. At the December 2007 meeting, he will report on the expense process in place and the results of the compliance audits to date.

**Adjournment**

There being no further business, the meeting was adjourned at 1:57 p.m.

Respectfully submitted,

Ed Amidon
Chair