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 Thursday, September 6, 2007 at 12:00 p.m. in the Chittenden Bank Room, 413 Dudley H. Davis Center.

MEMBERS PRESENT: Vice Chair John Snow, Bill Botzow, Jeffrey Davis, Beth Rice and Jeanette White

MEMBER ABSENT: Chair Edwin Amidon, Jr.

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

REPRESENTATIVE ABSENT: Alumni Representative (vacant)

PERSONS ALSO PARTICIPATING: Carl Lisman, Chair, Board of Trustees, J. Michael Gower, Vice President for Finance and Administration and University Treasurer, Francine Bazluke, Vice President for Legal Affairs and General Counsel, 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, KPMG

Vice Chair John Snow 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 May 17, 2007 meeting, with one abstention. Vice Chair Snow initiated a round of introductions of all present in the room.

Approval of the Audit Charter Revision

Members of the Committee considered the revision to clarify the conflict of interest and university affiliation issue for committee members, included on the consent agenda. Committee members discussed the importance of disclosure of potential personal conflicts of interest and the special importance of independence for audit committee decisions. The “affiliated persons” definition is broad in the University charter. In a survey of other universities, Mr. Jefferis found that almost all rely on a conflict of interest disclosure and recusal process rather than a disqualified membership approach.

The Chair, when formulating the meeting agenda, should contact members asking them to disclose any conflicts of interest. A motion was passed to accept this revision. The
General Counsel’s Office was asked to provide guidelines for implementation of an accompanying “independence policy” no later than the committee’s December meeting.

**Year End Financial Statement Audit and OMB Circular A-133 Audit Status Report**

Renee Bourget-Place, KPMG, reported that her team will commence the FY’07 audit review field work during the week of September 10th. The Committee noted that audit activities have been delayed due to the impact of the PeopleSoft conversion. Normally the audit would commence in early August with the Financial Report ready for the November Trustee meetings. Grants and Contracts are still conducting a comprehensive review of approximately 1500 files for each project.

Mr. Gower distributed a list of documents prepared by the University as a part of the year-end audit and the status of each. Committee members engaged the administration and KPMG in a thorough discussion of the possibility of further delays. The Committee discussed the possible impact of further unforeseen delays and probable responses by UVM and KPMG to deal with these. A conference call with Ms. Bourget-Place will be scheduled with members of the committee for the week of September 17th to discuss progress to-date with additional bi-weekly calls scheduled, if needed. Mr. Gower emphasized that additional resources have been assigned with the target of publishing financial reports by the December 14th meeting. The State of Vermont will receive a draft report by their October 15th deadline. The fiscal year 2007 OMB Circular A-133 audit report (inclusive of the audited financial statements) deadline is March 31, 2008.

George Thabault informed the committee of the State’s experience with their conversion of 2002. Extra consultants and personnel were assigned to beef up the reporting team. The committee members urged Mr. Gower to inform employees of the extremely high priority to meet these deadlines in the ongoing financial operations. He assured the members that he has the resources in place to accomplish this with others to utilize, if necessary. He emphasized that communication to identify the bottlenecks and problems is essential and that bad news is okay.

**SAS 112 Progress Report**

Michael Gower reported that since KPMG is required to follow the new Statement on Auditing Standards (SAS) 112 internal control reporting regulations, the Committee should expect to see more findings in the Management Letter and OMB A133 Audit Report. He has implemented an internal control self-assessment for processes that impact the financial statements with a plan to address problem areas. In addition, a substantive policy review was conducted over the past year. The units impacted are University Financial Services, Human Resource Services, Procurement Services, and Enterprise Technology Services. Mr. Gower will assess and identify areas needing extra resources based on the self-assessments.
Review of Outstanding Audit Observations and Management Action Plan Report

Charles Jefferis presented the current Audit Observations and Open Management Corrective Action Plan report. This report assists the Committee’s conversations with management over outstanding corrective action plans. The Committee noted the number of high impact open observations related to IT security and stressed the need to hire an Information Security Officer. Mr. Gower agreed to address this and report at the next meeting.

Other Business

Vice-Chair Snow asked for an update on the request by the Vermont Attorney General’s Office for information on our student loan program. Mr. Gower will send a copy of his response to committee members next week. The University may need to stop using VSAC even though we have a favorable contract with them to do electronic billing.

Asked how the conversion to PeopleSoft is going, Mr. Gower explained that we are over the crisis. However, work remains, particularly in the Grant and Contract area. We now have to work on changing the way we do business by reviewing the policies and processes in place.

Mr. Jefferis will send a glossary of PeopleSoft terms and updates to the Audit Committee Resource Manual shortly.

The next meeting of this Committee will be December 14th with interim conference calls regarding the financial statement audit as needed.

At 2:00 p.m. it was moved, seconded and voted to go into executive session to discuss the Internal Revenue Service audit involving commercial paper.

Adjournment

The Committee came out of executive session at 2:10 p.m. and was adjourned at 2:20 p.m.

Respectfully submitted,

John Snow
Vice Chair