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 21, 2008 in the Sugar Maple Ballroom at the Dudley H. Davis Center.

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

MEMBERS ABSENT: Susan Hudson-Wilson

REPRESENTATIVES PRESENT: Staff Representative Renee Berteau, Student Representative Sarah Shackett and Alumni Representative Bill Cimonetti

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, Sara Timmerman, Renee Bourget-Place and John Moriarty, KPMG LLP and Dave Klipa and Matt Faris, Huron Consultants

Chair Amidon called the meeting to order at 1:10 p.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the December 14, 2007 meeting and January 25, 2008 meeting, with one abstention and with a change to strike “or internal audit” from page 3 of the January 25 minutes.

FY2007 OMB Circular A133 Audit Report Status

John Moriarty of KPMG reported that work is still in progress on the A-133 audit, but they expect to make the March 31 deadline. The major programs audited were Research and Development (substantially 90-95% complete) and the Medicaid Cluster (~75% complete). The material weakness noted in the Financial Statement Audit regarding the Grants and Contracts area will also be noted in the A-133 report.

The Global Commitment funds, approximately $4 million of the state appropriation, were discussed extensively. Mr. Moriarty stated the A-133 audit would have a finding noting that the State had not followed appropriate procedures in passing these funds to the University. There is no written agreement regarding the use of this money, and therefore, the use cannot be audited. Mr. Moriarty noted that an agreement between the state and the University is needed in order to resolve this finding. Mr. Gower stated he was working with the Vice President of State and Federal Relations, State administrators and
legislators, and with the State Auditor to secure this agreement, hopefully within the next 30 days. This was also being brought up at the Agricultural Board meeting on Saturday. A conference call meeting will be scheduled at the end of March to discuss the A-133 report.

**FY2007 NCAA Financial Audit Report Status**

Renee Bourget-Place, KPMG, discussed numerous observations in the FY 2007 NCAA audit noting coding errors that resulted in adjustments and reclassifications of amounts reported in the Statement. Because this report was just issued prior to the meeting, management has not had a chance to respond to the two findings; this response will be reported at the next meeting. NCAA requirements cause more detailed mapping work of transactions than is typically needed for normal financial management. Now that the report has been completed, a meeting will be scheduled with the Athletic Department to discuss issues relating to this audit in order to improve mapping of transactions for the current year. The agreed-upon procedures report is addressed to the President of the university and not filed with the NCAA.

A prior year comment relating to adequate supporting documentation for non-cash gifts may still be an issue and being aggressively addressed by the Administration. The management’s response will be discussed at the next meeting.

**KPMG Fiscal Year 2008 Audit Plan**

Ms. Bourget-Place introduced Ms. Sara Timmerman, manager for the FY 2008 financial audit. Ms. Bourget-Place explained KPMG’s methodology and audit responsibility followed by an engagement timeline. The overview included several critical areas: valuation of alternative investments, possible effect of credit market weakness on portfolio valuation, and new grants and contracts controls resulting from the PeopleSoft transition. A more in-depth discussion of new GASB 45 post-retirement benefit disclosures is planned for the May meeting.

She discussed KPMG’s approach to fraud risks, emphasizing the identification of risks followed by the response needed.

**Review of Grants and Contracts Management Actions and Metrics**

Matt Faris and Dave Klipa from Huron Consulting Group, delivered a report to the committee containing progress reports and action plans, which is attached to these minutes. Ms. Bourget-Place has been participating in weekly update meetings with Huron. Mssrs. Klipa and Faris reported that on March 1st the PeopleSoft billing and accounts receivable implementation will go on-line with the complete reconciliation of invoices to cash receipts completed by June 30th. Award setup is in good shape, but PeopleSoft processing errors continue to be a problem. It is expected that reports and billing will be up-to-date by June 30 and that department training will be substantially complete. The principal investigators are taking this seriously and helping to catch up the
backlog, which existed before the implementation of PeopleSoft. Huron weekly updates will continue with Mr. Gower and Ms. Bourget-Place in attendance.

**Grant and Contract Administrative Services Leader Search Status Report**

Mr. Gower is working with Huron to write a “best practice” job description for a new grants and contracts accounting leader. A search firm has been selected, and a package is being considered to attract good candidates to the Burlington area. Recruitment should commence in the very near future. There are also two openings in Grants and Contracts Administrative Services which are being recruited at this time.

**Student Loan and IRS Audit Status Reports**

Mr. Gower reported that the university had implemented all Education Department recommendations, and programs and services formerly handled by VSAC are covered.

The IRS has requested more information regarding the Commercial Paper Program and the audit is still in process.

**Trustee Expense Reimbursement Guidelines**

The committee approved the guidelines as amended by the Committee on Board Governance. The committee felt it was a good idea to have them but urged trustees to use good judgment when filing their expense reports.

**Adjournment**

There being no further business, the meeting was adjourned at 3:00 p.m.

Respectfully submitted,

Edwin Amidon, Jr.
Chair
University of Vermont
Grant and Contract Administrative Services Update

February 21, 2008
Agenda

- KEY METRICS
- KEY MILESTONES AND OBJECTIVES
- STATUS REPORT DETAIL
- WORKPLAN DETAIL
## Key Metrics

### Financial Reporting
- **843**: Number of reports with due dates through June 2008
- **291**: Number of reports completed through February 15, 2008
- **552**: Number of reports to be completed by June 30, 2008

### PeopleSoft Billing and AR Processes
- **$6.5M**: Total amount of invoices prepared November 1, 2007 through February 15, 2008
- **$6.1M**: Total amount of cash/checks received November 1, 2007 through February 15, 2008
- **$10.8M**: Total amount of cash - average LOC draws received in December 2007 - January 2008

### Award Setup
- **612**: Number of awards received for setup in FY08 as of February 15, 2008
- **565**: Number of award setups completed as of February 15, 2008

### PeopleSoft Processing Tasks
- **291**: Number of journal entries awaiting approval as of February 15, 2008
- **1072**: Number of budget checking errors to be cleared as of February 15, 2008
## Key Milestones and Objectives

### FINANCIAL REPORTING
- **April 30, 2008**: Complete reports with due dates through December 2007
- **June 30, 2008**: Complete reports with due dates from January - June 2008

### PEOPLESOF soft BILLING AND AR IMPLEMENTATION
- **March 1, 2008**: Phased-in system activation and go-live
- **February 29, 2008**: Complete posting of PHS cash draw into PeopleSoft Accounts Receivable
- **June 30, 2008**: Complete reconciliation of invoices to cash receipts

### PEOPLESOF soft BILLING AND AR PROCESSES
- **April 1, 2008**: Complete non-letter of credit invoicing and migrate to PeopleSoft billing process
- **April 1, 2008**: Prepare LOC’s based on PeopleSoft billing process
Key Milestones and Objectives (cont)

AWARD SETUP

- **March 31, 2008**: Eliminate award setup backlog

PEOPLESOFT PROCESSING TASKS

- **May 31, 2008**: Eliminate journal entry backlog
- **June 30, 2008**: Eliminate budget checking error backlog

OTHER

- **June 30, 2008**: Continued support of A-133 audit
- **May 31, 2008**: Complete validation of institutional cost sharing
FINANCIAL REPORTING

• **Statistics**
  - 554 Financial Reports with due dates through December 2007
  - 300+ Financial Reports completed to date
    - 291 of these reports have due dates through December 2007, the remaining reports represent ad-hoc immediate requests
    - 552 reports projected to be completed through June 2008 (includes 289 reports with due dates of 01/10/08 - 06/30/08)

• **Process**
  - Held Kick-off Meeting with 6 Colleges and have established communications with remaining departments
  - Provided departments with the listing of their outstanding financial reports to allow them to prioritize order of completion
  - Initiated contact with departments to discuss approach for completing reports
    - In most cases, there is a teaming effort where GCA and departmental staff are working in parallel on reviewing awards to facilitate report completion
  - Developed Project Closeout Report Job Aid for departments
  - Developed spreadsheet model and process to ensure financial reports are prepared in a consistent manner
  - Hold follow-up departmental meetings to address reporting questions
  - Proactively contacting sponsors
  - Established Friday Help Desk in the College of Medicine
INVOICING AND CASH MANAGEMENT

- **Statistics**
  - 109 Interim Invoices prepared to date
  - $6.5M Total amount of invoices prepared to date
  - $6.1M Total amount of cash - checks received to date
  - $10.8M Total amount of cash - average LOC draws received in December 2007 - January 2008

- **Process**
  - Developed interim invoicing and tracking process
  - Have increased the monthly drawdowns by approximately $1M - $4M per month, as compared to those prior to November 2007
  - Established practice to post cash and wire deposits into PeopleSoft on a daily basis
  - Established practice to get checks to the cashier on a daily basis
  - Developed approach and currently working on posting all PHS wire amounts by project into PeopleSoft (currently, this cash is un-posted)
  - Attended numerous meetings to discuss GCA Role in AR/Billing system testing and going-forward processes
AWARD SET-UP

- **Statistics**
  - 612 Awards received for setup in FY08
  - Approximately 565 Award Setups completed
  - 47 Awards Setups to be processed

- **Process**
  - Establish future goal of a 5 business day award setup time
  - Developed approach to clearing backlog - targeting two month period to eliminate all outstanding setups
  - Established monthly meetings with the Office of Sponsored Programs to discuss operational issues in order to make the end-to-end process more efficient
  - Currently interviewing for 1-2 staff positions
PEOPLESOFT PROCESSING TASKS

• **Statistics**
  – 291 Journal entries awaiting approval
  – 1,072 Budget checking errors to be cleared

• **Process**
  – Prepared memo to re-iterate UVM policy for preparing journal entries
  – Develop approach to clear journal entry backlog by April 30, 2008
    • Process will require departmental assistance in reviewing and revising journal entries to include proper documentation
  – Develop process to clear budget checking error backlog by May 31, 2008
    • Process will require departments to provide information that will allow us to assess the transactions validity
Status Report Detail (cont)

**ORGANIZATIONAL**

- Establishment of a bi-weekly meeting with GCA team and individual meetings with GCA Directors and Managers
- Initiated review of organizational structure to better assess hiring needs
## Detailed Workplan

### WORKPLAN OBJECTIVES

<table>
<thead>
<tr>
<th>Focus</th>
<th>Financial Reporting</th>
<th>Feb-08</th>
<th>Feb-08</th>
<th>Mar 08</th>
<th>Apr 08</th>
<th>May 08</th>
<th>Jun 08</th>
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<td><strong>Milestone</strong></td>
<td>Reports with due dates through Dec 2007</td>
<td>02/01/08</td>
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<td><strong>Milestone</strong></td>
<td>Reports with due dates from Jan-June 2008</td>
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<td><strong>Milestone</strong></td>
<td>Prepare transitional reports on an as-needed basis</td>
<td>02/01/08</td>
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<td>Proactively contact sponsors</td>
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<td>Inventory and close previously prepared financial reports</td>
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### Focus 2: PeopleSoft Billing and AR Implementation

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<th>Milestone</th>
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<th>Feb-08</th>
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<th>May 08</th>
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<td>System Activation and Go-Live</td>
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<td>Finalize Reconciliation Approach</td>
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<td>Letter of Credit Billing</td>
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<td>Other Bill Types</td>
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<td>Post PHS Cash Draw into PS Accounts Receivable</td>
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<td><strong>Milestone</strong></td>
<td>Reconcile Invoices to Cash Receipts</td>
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<td>Reconcile converted invoices to cash receipts</td>
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<td>Reconcile remaining outstanding AR balance</td>
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### Detailed Workplan (cont)

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<tr>
<th>Focus 3</th>
<th>PeopleSoft Billing and AR Processes</th>
<th>Feb-08</th>
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<td><strong>Milestone</strong></td>
<td>Non-Letter of Credit Invoicing</td>
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<td>1</td>
<td>Prepare and track invoices based on transitional process</td>
<td>02/01/08</td>
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<tr>
<td>2</td>
<td>Prepare and track invoices based on true-up process</td>
<td>03/01/08</td>
<td>05/15/08</td>
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<tr>
<td>3</td>
<td>Prepare and track invoices based on PS Billing process</td>
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<td>06/30/08</td>
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<tr>
<td><strong>Milestone</strong></td>
<td>Letter of Credit Draw</td>
<td>02/01/08</td>
<td>06/30/08</td>
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<td>1</td>
<td>Prepare LOC’s based on transitional manual process</td>
<td>02/01/08</td>
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<tr>
<td>2</td>
<td>Prepare LOC’s based on true-up process</td>
<td>03/01/08</td>
<td>04/30/08</td>
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<tr>
<td>3</td>
<td>Prepare LOC’s based on PS Billing process</td>
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<td>06/30/08</td>
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<td><strong>Milestone</strong></td>
<td>Document Transitional Billing and LOC Processes</td>
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<td>1</td>
<td>Develop tracking mechanism</td>
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<td>Document transitional billing process</td>
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<td><strong>Milestone</strong></td>
<td>Hire and Train New Billing and Accounts Receivable Staff</td>
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<td>Identify and hire new staff</td>
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<td>Train new staff</td>
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## Detailed Workplan (cont)

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<td>Award Setup</td>
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<td>Milestone</td>
<td>Eliminate Award Setup Backlog</td>
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<td>Review and document current processes</td>
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<td>Revise and/or create documentation of on-going process</td>
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<td>Peoplesoft Processing Tasks</td>
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<td>Milestone</td>
<td>Eliminate Journal Entry Backlog</td>
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<td>Milestone</td>
<td>Eliminate Budget Checking Error Backlog</td>
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Workplan Assumptions

- **Financial Reporting:** Milestones are based on an average completion rate of 30 reports per week over an 18 week period
- **PeopleSoft Billing and AR Process:** Invoices to cash receipts reconciliation milestone is based on an average completion rate of 50 reconciliations over a 16 week period
- **PeopleSoft Billing and AR Process:** Invoicing milestones are based on producing 20 invoices per week over a 16 week period
- **Award Setup:** Award setup milestones are based on an average of 20 award setups per week
- **PeopleSoft Processing Tasks:** Elimination of the journal entry backlog is based on a reduction by a net of 30 journal entries per week over an 8 week period
- **PeopleSoft Processing Tasks:** Elimination of the budget checking error backlog is based on a reduction by a net 80 per week over a 12 week period
- **Other:** The institutional cost sharing validation process will be reviewed and revised to ensure both the accuracy and completion of this task in a timely manner