A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Tuesday, November 25, 2008 in Room 427A, Waterman Building.

MEMBERS PRESENT: Chair Edwin H. Amidon, Jr., Vice Chair Bill Botzow*, Samuel Bain*, Jeffrey Davis*, Susan Hudson-Wilson*, and John Snow

MEMBERS ABSENT: Beth Rice and Jeanette White

REPRESENTATIVES PRESENT: Faculty Representative Albert Joy (for Bud Meyers), Staff Representative Renee Berteau, and Alumni Representative Bill Cimonetti

REPRESENTATIVE ABSENT: Student Representative Ben Porter

PERSONS ALSO PARTICIPATING: Daniel Fogel, President; Richard Cate, Interim Vice President for Finance and Administration and University Treasurer; Francine Bazluk, Vice President for Legal Affairs and General Counsel; Jennifer Gagnon, Director, Grant and Contract Accounting; Renee Bourget-Place and Sara Timmerman, KPMG, LLC

*Via teleconference call

Chair Edwin Amidon, Jr. 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 October 16 and October 20, 2008 meetings.

Conflict of Interests and Conflict of Commitments Policy

Francine Bazluk reported that a proposed revision of the conflict of interest policy has been worked on over the past couple of years and approved by various University constituencies.

The following resolution was presented for approval:

Approval of the Conflict of Interests and Conflict of Commitment Policy

BE IT RESOLVED, that the University of Vermont hereby approves the Conflict of Interest and Conflict of Commitment Policy as shown in the attached document.
A motion was made, seconded, and the resolution was passed unanimously.

**Update on Management Response to the Deloitte Audit**

Richard Cate presented the newly formatted response by the President to the Deloitte report, which was requested by the Committee at the October 16, 2008 meeting. The revised document outlines management’s response on a function-by-function basis.

Members were encouraged to contact Mr. Cate with any questions after they have had a chance to read and digest information in this document.

**Review and Approval of FY 2008 Financial Statement Audit**

Renee Bourget-Place, KPMG, gave an overview of the audit of the FY 2008 financial statements. She stated the audit went much smoother than last year, with better data obtained from the PeopleSoft system. The areas of emphasis include: revenues, investments, contributions, expenses (including capital and debt), personnel costs, and other 2008 general areas.

**Summary of Adjustments Posted**

She pointed out six adjustments to the FY 2008 audit as follows:

1. Deferred Grant Revenue - $1,783,886 recorded revenue that was improperly deferred in FY 2007.
2. OPEB Expense – $4,474,930 to adjust discount rate selected by the University in GASB 45 calculations from 8.9% to 7%.
3. Institutional Expense – $6,600,000 reclassification of Huron consulting expenses from operations and maintenance to institutional expense.
4. Operating Investments - $26,000,000 to reclassify the 2008 Common Fund short-term balance from cash equivalents to operating investments on the balance sheet.
5. Operating Investments - $22,000,000 to reclassify the 2007 Common Fund short-term balance from cash equivalents to operating investments on the balance sheet.
6. Postretirement Benefits Liability - $2,007,000 to adjust the contributions in FY 2008 OPEB calculation to include the implicit rate subsidy.

She stated that all six items are one-time adjustments. Findings from previous years, such as private equity investments being carried at cost, have been addressed and are no longer on the list.

Ms. Bourget-Place stated that the A-133 report is 80-90% completed. She expects this report, due on March 31st, 2009, will be available in advance of the due date. The NCAA report, due on December 31st, 2008, is now in the review process and will be completed on time. She stated that the audits are now back on schedule.
Ms. Bourget-Place and Ms. Timmerman outlined the emerging issues of which the Audit Committee should be aware. These include:

- Uniform Prudent Management of Institutional Funds Act (UPMIFA)
- GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*
- GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*
- GASB Statement 52, *Land and Other Real Estate Held as Investment by Endowments*

The following resolution was presented for approval:

**Acceptance of Fiscal Year 2008 Annual Audit**

WHEREAS, the books and accounts of the University of Vermont and State Agricultural College for the Fiscal Year ended June 30, 2008, have been audited by KPMG, LLP, Certified Public Accountants, 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.

A motion was made and seconded, and the resolution was passed unanimously.

**Review of FY 2008 Management Letter and Response**

Ms. Bourget Place outlined the three issues in the management letter as significant deficiencies.

**Journal Entries:** Staff who make and approve journal entries now submit a monthly report to the controller or designee for approval. At this time, Mr. Cate reviews these, acting as Controller. It will take four months to implement an electronic approval process through PeopleSoft. Mr. Cate will keep the Audit Committee informed of the progress.

**Grant and Contract Accounting**

Significant effort was made this past year to address Grant and Contract Accounting’s issues, including backlog of reports, cost transfers, effort reporting, salary distributions, and grant billing with the aid of Huron Consultants. The PeopleSoft billing system was implemented in the spring of 2008, with invoices based on actuals rather than conservative estimates.
Also, additional staff has been hired and they have completed several weeks of hands-on training with a significant support system available to them. The next step is to have policies and procedures written up and distributed as part of a University Financial Management Operations manual. This effort is being coordinated between the University Business Council and Richard Cate's office; an outline of the manual will be available by late January, with completion of the project by the end of March 2009.

**Unauthorized Transactions**

All consulting contracts over $250,000 must be approved by the Board of Trustees. This was updated in the Contract Approval and Signatory Authority Policy dated June 2, 2008. This will also be addressed in the financial management-operations manual being developed by Mr. Cate’s office followed up by extensive training for faculty and staff.

Chair Amidon acknowledged significant effort by individuals in the Controller’s Office, especially Lois Schuster, Assistant Controller, to close FY 2008 books and complete the financial statement audit on time.

**Restructuring of Internal Audit Function**

The Committee discussed restructuring of the internal audit function in response to the Deloitte Report. Coverage of the function pending a national search for a new internal auditor as the result of the retirement of the former auditor was also discussed. The Committee agreed that during the interim period the internal audit acting chief will report to the Committee with administrative oversight by the President.

A subcommittee of Trustees Amidon, Botzow, and Snow was appointed to prepare recommendations for restructuring with the assistance of Richard Cate and General Counsel Francine Bazlukke, including job description, reporting line, resources, relationship to compliance, Governance Committee input on Sarbanes-Oxley standards, and related issues, and to recommend charter amendments to the full Committee for action by the full Board at a future meeting.

**Status of External Audit RFP**

The external audit RFP was issued on October 24 and proposals are due December 23. Opening of proposals, presentations, and selection will occur in January. Several members continue to be concerned that internal control issues raised in the Deloitte Report should have been included in the RFP which was approved at the October 16 meeting. Richard Cate assured members that these issues are being addressed by staff in accordance with management's response and will be in the future if necessary by amendment to the external audit engagement letter or a new RFP. A timeline will be compiled and reported to the Committee.
Status of GCA-Huron Transition

Jennifer Gagnon, new Director of Grants and Contracts Accounting, reported that staffing is complete and entries and reports are up to date. Huron consultants are gone. However, there are still a substantial number of grant accounts receivable which the staff is aggressively working on collecting. She expressed optimism that most of that amount will come in.

Other Business

At 3:40 p.m. a motion was made, seconded, and approved to go into executive session to discuss personnel and contract matters.

Adjournment

The meeting was re-opened to the public at 4:45 p.m. There being no further business, the meeting was adjourned at 4:46 p.m.

Respectfully submitted,

Edwin H. Amidon, Jr.
Chair
Conflict of Interest and Conflict of Commitment

Policy Statement

University faculty, staff, and administrators (“employees”) are employed by the institution in service to its mission. The mission includes the principle that institutions of higher education operate for the common good to ensure the preservation and advancement of knowledge through its creation and dissemination and not simply to further the interest of either individual employees or the institution as a whole. Advancement of this mission requires that employees avoid conflicts of interest that may impair the public trust and conflicts of commitment that may compromise the performance effectiveness of employees in carrying out their University responsibilities. Employees’ participation in professional, community service and other external activities may contribute both to their professional competence, and the prestige of the University, and the welfare of people in the state, country and world, and is therefore to be encouraged. In doing so, however, employees must avoid ethical, legal, and financial conflicts of interest and conflicts of commitment that may compromise their performance effectiveness in carrying out their University responsibilities.

This statement identifies the University’s policies in relation to conflicts of interest and commitment and contains its compliance requirements.

Reasons for the Policies

These policies establish standards of conduct designed to maintain academic, research, and business integrity. They are intended to heighten employee awareness of situations that present a conflict of interest or of commitment so that potential conflicts may be avoided, or disclosed and properly managed. These policies make every effort to balance the integrity and interests of the University with those of individual employees. They seek not only to help employees identify instances where conflicts might arise, but also to
assist employees in eliminating or managing actual conflicts and when possible, to prevent the appearance of conflicts.

Strategic Direction

This policy supports the following goal in the University’s Strategic Plan:
http://www.uvm.edu/president/strategic_planning/Strategic%20Plan%202009-2013.pdf

- Institutional Efficacy: As an institution, model the highest standard of ethical conduct, public service, and strong commitment to lifelong learning.

Applicability of the Policies

These policies apply to all faculty, staff, and administrators employed by the University, whether full-time or part-time (together referenced in this policy as “employee(s)”). For purposes of these policies, a full-time employee is one with a 1.0 FTE. Persons whose employment is governed by collective bargaining agreements may be subject to related provisions of those agreements, which will supersede inconsistent provisions of this policy. These policies are intended to supplement federal and state law requirements as to matters including sponsored research as well as professional ethics and other conduct standards that may apply to particular professions or disciplines. The policies are not intended to supersede the institutional policy governing research conflicts of interest, which governs as to all matters within its stated scope.

Policy Elaboration

CONFLICTS OF INTEREST POLICY

A conflict of interest arises with respect to activities that compromise, or appear to compromise, an employee’s judgment in performing his or her University duties. These conflicts can arise when an employee, or a member of his/her family (as defined below) has an existing or potential personal, financial or other interest that: (a) impairs or may reasonably appear to impair his/her independence of judgment in the discharge of responsibilities to the University; or (b) may result in personal gain or advancement at the expense of the University. University employees serve the public trust and are required to fulfill their responsibilities with due care and loyalty to the best interests of the institution. The integrity of the University must be protected at all times, both in actuality and appearance. Conflicts of interest therefore must be: (1) disclosed, (2) eliminated or (3) properly managed.

Many outside activities in which an employee may wish to engage, such as certain outside employment, private activities, involvement in public organizations, public
service, and political involvement, present no conflicts of interest and can enhance the reputation of the University. In undertaking such activities, employees retain their constitutional rights, including those of freedom of association and expression. When engaging in an otherwise permissible endeavor or activity, the employee must nonetheless make clear when she or he is acting as a private individual rather than as a representative of the University. In this regard, employees must abide by the terms of the University policies governing use of trademarks and use of the University name, symbols, letterhead and other proprietary indicia of affiliation.

It is not possible to provide an all-inclusive list of situations giving rise to a conflict of interest; below are examples of situations giving rise to a conflict.

**PROHIBITED CONFLICTS OF INTEREST**

- Making a decision to employ, promote, or terminate a member of the employee’s family (defined for this policy as spouse or civil union partner, member of same household, parent, grandparent, child or grandchild, sibling, aunt or uncle); or supervising, setting salary or wages, approving time cards or employment records, for, or evaluating the performance of, a member of the employee’s family.

  Where, by virtue of reporting lines, an employee would otherwise make these decisions regarding a family member, an appropriate alternative administrator must be designated by the responsible Vice President.

- Negotiating or authorizing on behalf of the University a contract or other business transaction for services, goods, or products, from a company or enterprise in which the employee or a member of the employee’s family has a substantial financial interest or management position known to the employee.

  Where, by virtue of position, an employee would otherwise make these decisions, an appropriate alternative administrator must be designated by the responsible Vice President.

- Approving forgiveness of a debt of the University to an external entity in which the employee or his/her family member has a known interest, or forgiveness of a debt of such entity to the University.

  Where, by virtue of position, an employee would otherwise make these decisions, an appropriate alternative administrator must be designated by the responsible Vice President.

- Accepting, soliciting, or offering bribes, kickbacks, payoffs, or other improper incentives or payments from a third party or another employee in the course of University employment. (This prohibition does not, however, include honoraria, meals, or reimbursement of reasonably incurred travel expenses in consideration of a speaking or comparable appearance made or given by an employee in his/her
professional or official capacity, whether in relation to external or UVM activities).

- Accepting cash, or non-cash, gifts of any type having more than nominal value, including goods, services, travel, or entertainment, at no cost or discounted prices, from persons or entities doing business with the University, in consideration of the employee’s UVM business or professional relationship with the person or entity.

- Disclosing, or otherwise using on an unauthorized basis, University confidential or proprietary information to which the employee has access in the course of University duties.

POSSIBLE CONFLICTS OF INTEREST

Certain situations give rise to a possible conflict of interest and must therefore be disclosed so that they may be either ruled out as conflicts or handled under the conflicts management process:

- Accepting external employment or consulting contracts during a period of UVM employment.

- Employing University employees or students at UVM over whom the employee has supervisory responsibility or authority, for non-University endeavors or activities.

- Accepting any form of remuneration, financial or otherwise, for endorsement of the products or services of a business or individual where a UVM title or employment is an express or implied aspect of the endorsement.

- Acquiring or holding any financial interest in an entity that competes with the University, excluding interests held in publicly traded companies.

- Serving as an executive officer or on the board of directors of a for-profit or non-profit entity, such as a corporation, association, or partnership, regardless of remuneration, that interacts with the University in ways that might result in undue benefit to the other organization.

CONFLICT OF COMMITMENT POLICY

The paramount work commitment of a full-time University employee is to his or her position at UVM. It is the responsibility of the employee to manage his/her external activities so that they do not interfere with his or her UVM obligations. A conflict of commitment occurs when external activities undertaken by a UVM employee will or reasonably can be expected to significantly interfere with his or her ability to perform obligations to University duties fully or effectively.
Employees who wish to engage in activities, including external employment, compensated independent consulting, and uncompensated activities, that will or reasonably can be expected to significantly interfere with their university responsibilities must inform their supervisors in writing of the proposed activity before making the commitment.

Within five (5) business days of receipt of the written disclosure, the supervisor will schedule a meeting with the employee to discuss how to manage the potential problem.

The supervisor and the employee must attempt to develop a written conflict management plan. The plan may include monitoring the activity to ensure that employees are able to complete their University obligations, modification of assignments, including any reduction in FTE commensurate compensation reduction, or a leave of absence arranged under otherwise applicable leave policies. If agreement cannot be reached on a plan, the supervisor will inform the employee that he or she must fulfill University responsibilities and inform him/her of the possible consequences of failing to fulfill these responsibilities.

**Political Activity**

In their capacity as citizens, employees are free to engage in political activity. In doing so, they must ensure they can perform their University assignments and otherwise meet their University obligations.

Many kinds of political activity (e.g., holding part-time office in a political party, seeking election to any office under circumstances that do not require extensive campaigning, or serving by appointment or election in a part-time political office) are consistent with effective service as a University employee. Other kinds of political activity (e.g., intensive campaigning for elective office, or serving a term that requires full-time commitment either continuously or periodically) may require that the employee seek a leave of absence from the University. In recognition of the legitimacy and social importance of political activity by its employees, the University will seek to provide institutional arrangements to accommodate such activity, subject to otherwise applicable policies and procedures regarding workload adjustments and leaves of absence. Arrangements may include the reduction of workload or a leave of absence for the duration of an election campaign or a term of office, accompanied by commensurate adjustment of compensation. Employees seeking a leave of absence should recognize that they have a primary obligation to the University, and should be mindful of the impact that leaves of absence may create for colleagues and, as applicable, students. Such leaves will not be automatic, and must be governed by the priority needs and considerations of the department, school, college, or unit concerned. If adjustments in favor of an employee are made, they must be limited to a reasonable period of time.

*Adapted from: American Association of University Professors’ Statement on Professors and Political Activity.*

See also applicable policies or contract provisions regarding leaves of absence; the
University policy regarding Political Activities: Tax Exempt Organization Restrictions; University policy regarding Name, Symbols, Letterhead and other Proprietary Indicia of Affiliation; and the federal Hatch Act, which covers employees whose principal employment is connection with an activity financed in whole or in part by loans or grants made by the United States or a federal agency).

**Additional General Rules Governing Conflicts of Interest or Commitment**

**Use of University Resources**

Even when an endeavor or activity is otherwise permissible or approved, the employee must abide by University policies governing use of institutional resources and assets. An employee may not make more than incidental use of University work time, University resources (such as telephones, FAX or copy machines, vehicles, supplies, facilities, laboratories), or the services of University employees or students for unauthorized and/or non-University purposes. Use of personal computers for external activities is permissible, subject to institutional policies governing computer use and the use of the UVM letterhead.

**Definitions**

None

**Procedures**

**Conflicts of Interest Management Procedure**

I. Violation by an employee of prohibited conflicts may lead to serious disciplinary action, up to and including dismissal, as well as possible civil or criminal prosecution.

II. Activities not prohibited but that may give rise to a conflict must be promptly, and in advance of the proposed activity, disclosed in writing by an employee to his or her immediate supervisor, under the procedures described below. Addressing conflicts and developing strategies to manage them may require steps such as:

(1) no action required beyond the disclosure;

(2) development of a conflicts management plan memorialized in writing;

(3) modification of University responsibilities, as mutually agreed, under applicable policies;
(4) prohibition of the activity in cases of irreconcilable conflicts.

Applicable Procedures

**Officers of administration** must annually file a conflicts disclosure form on a schedule established by the President. Forms must be updated during the reporting period as relevant circumstances change.

**Faculty** must disclose conflicts of interest as they arise to their department chairs or, in units with no chairs, to their deans.

**Staff** must disclose conflicts to their supervisors as conflicts arise.

Following an employee’s disclosure of a proposed endeavor or activity that may create a conflict of interest, the supervisor will determine whether the proposal, in fact, presents a possible or actual conflict of interest. This determination shall be communicated to the employee in writing within fourteen (14) calendar days after the employee makes disclosure. If the employee is not so informed within this time period, she or he may justifiably conclude that no conflict of interest exists.

If, after discussion of the proposal with the employee, the supervisor identifies an actual or possible conflict, the supervisor will:

1. Develop with the employee a conflicts management plan which shall be reduced to writing;

2. In the case of an irreconcilable conflict, disallow the proposed activity. Employees whose disclosures result in disallowance of the proposed activity may[grieve the decision under otherwise applicable grievance procedures.

Reporting of Possible Policy Violations

Supervisors are required to investigate promptly possible violations of these policies. If a policy violation is proven, the supervisor must take appropriate responsive action, which may include disciplinary measures. Possible violations of the conflict of interest policy may be reported by third parties to the employee’s supervisor or to the Office of the Associate Vice President for Institutional Risk Assessment and Audit Services (802 656-2662). No retaliatory action will be tolerated on the part of a University employee or official against persons making such a report in good faith.

Contacts

The President is the University official responsible for interpretation of this policy, in active consultation with the General Counsel.
Related Documents/policies

NOTE: All preexisting policies covering the same subject matter as these policies, whether contained in University handbooks or policy statements, are superseded as of the effective date of adoption of these policies. Questions regarding the status of other policies may be referred to the office of the General Counsel, 656-8585.

Board of Trustees’ conflict of interest policy
Related Significant Financial Interest in Research and Scholarly Activity Policy
Intellectual Property Policy
Facilities and Grounds Use Policy
Computer and Email Use Policy
Trademarks Policy
Name, Symbols, Letterhead and other Proprietary Indicia of Affiliation, Use of University Policy
Political Activities: Tax Exempt Organization Restrictions Policy
Fraudulent or Dishonest Conduct and Whistleblower Policy
Loans Prohibited Policy
Campus Mails Policy

Effective Date

Acknowledged by:

________________________  Interim Vice President  _____________________  Date
Richard Cate

Approved by the Chair of the Board and President by on:

________________________  President  _____________________  Date
Daniel M. Fogel

________________________  Chair Board of Trustees  _____________________  Date
Ian D. Boyce