A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Monday, July 13, 2009 in Room 351, Waterman Building

MEMBERS PRESENT: Chair Bill Botzow, Vice Chair Mark Young*, Carolyn Branagan*, Jeffrey Davis*, Susan Hudson-Wilson*, and John Snow

MEMBER ABSENT: Harry Chen

REPRESENTATIVES PRESENT: Faculty Representative Bud Meyers, Alumni Representative Bill Cimonetti, Staff Representative Renee Berteau*, and Student Representative Hannah LeMieux

PERSONS ALSO PARTICIPATING: Daniel Mark Fogel, President, Richard Cate, Vice President for Finance and Administration and University Treasurer; Francine Bazlukue, University Counsel, Gary Derr, Vice President for Executive Operations and Chief of Staff, Claire Burlingham, Controller, Erica Heffner, Interim Internal Auditor, Jennifer Gagnon, Director, Grant and Contract Administrative Services, Tom Salmon*, State Auditor and Renee Bourget-Place, KPMG

*Via teleconference call

After a round of introductions, Bill Botzow called the meeting to order at 8:35 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the June 15, 2009 and July 7, 2009 meetings.

Update on Internal Audit Activities

Ms. Heffner updated the committee with an interim report on the preliminary findings of the Purchasing Card and Travel audit. The test sample of 1822 transactions reviewed totaled $746,802.70. The travel and expense audit consisted of 148 transactions totaling $120,641.84. A lack of signatures on travel expenditures may be due to electronic submissions, a procedure which will be looked into further. Temporary staffing was hired to assist in the audit. After closer analysis of this data and additional audit work discussions will be held with management outlining action steps. The final report will include management’s action plan.

Regarding their review of effort reporting, Ms. Heffner noted three findings:
Certified effort reports were not always on file for individuals selected for test work.

Effort reports were not always returned to Cost Accounting Services in a timely manner.

There is a need for the effort reporting system to have the necessary information so that actual effort can be confirmed and adjusted by the employee as necessary.

Summer classes and continuing education courses sometimes distort the percent of effort reflected in reports. Cost Accounting Services is working with the Business Process Reengineering Team (BPRT) to correct this issue in PeopleSoft for the FY’09 effort reports.

The Ethics and Compliance Reporting Line web portal has been developed with a go live target of mid-August. The Compliance Office will see all reports made through this portal and reports will be addressed by the appropriate University office depending on the nature of the issue. The committee offered several design suggestions. Erica Heffner encouraged members of the Audit Committee to review the site and contact her with any suggestions for improvement as it is now in the testing phase.

Approval of the Amended Code of Business Conduct

Ms. Heffner introduced the latest version of the Code of Business Conduct Policy, incorporating suggestions and revisions from the June 15, 2009 meeting. A motion was made, seconded and approved on the following resolution:

Approval of Amended Code of Business Conduct Policy

WHEREAS, the University’s Code of Business Conduct Policy has been amended to incorporate necessary reporting provisions, whistleblower protections currently in the Fraudulent and Dishonest Conduct Policy, and the Audit Committee’s recommendations regarding leave recording, timeliness of reports and institutional endorsements;

WHEREAS, with these provisions subsumed into the reviewed Code of Business Conduct, the Fraudulent and Dishonest Conduct Policy will be retired;

BE IT RESOLVED, that the Committee hereby approves, for recommendation to the Executive Committee, the amended Code of Business Conduct Policy appearing as attachment A to this document.

The resolution will now be presented to the Executive Committee.

Compliance Program Reporting

President Fogel outlined his recommendations regarding the reporting line of the compliance program. The President recommended that the Compliance Program report
to him through the Office of General Counsel with a dotted line to the Audit Committee since the Compliance Program is a function for education and mentoring the University in law, federal, state and community regulations and policies and plays a central role in developing UVM policies and instills the integrity and fiduciary care the Board relies on, Staffing and space needs will be taken into consideration.

The Audit Committee discussed and agreed with the recommendation.

Approval of RFP for Follow-up Audit on Internal Controls

Chair Botzow asked for comments on the RFP document, noting that the RFP had been developed by Richard Cate and Erica Heffner then reviewed with initial comments by Jeff Davis, Harry Chen, Tanya Morehouse and himself. Jeff Davis asked for clarification on the Audit Committees role in discussions between the auditor and management.

Management will have an opportunity to respond to findings to make sure they have accurate information before the report is published and presented to the Audit Committee.

The time allotted between the engagement and delivery of the report seemed tight and it was agreed to lengthen it a bit so that the Audit Committee can work on this report in December and January before the full board meeting in February.

The members working with Ms. Heffner agreed to incorporate the committee’s suggestions as well as clarification of inclusion of sections from the previous Deloitte report. A motion was made, seconded and unanimously approved to accept the RFP with the above-stated revisions for follow-up review of internal controls relating to specified transactions.

Chair Botzow and committee members Chen and Davis will be the first reviewers of the responses to the RFP and will bring the top few to the full committee to select the top candidate.

Richard Cate stated that he expected the follow-up audit to go smoothly, but knew that some systems work was still in process.

Update on Chief Internal Auditor Search Process

Chair Botzow informed the members that the top candidate withdrew over the weekend, and recommended that the sub-committee engage a search firm. He proposed that Gary Derr contact the search firms that had responded to an earlier RFP to see if they were still interested and available. Chair Botzow and Susan Hudson-Wilson will narrow the field of those firms still interested and present a short list to the CIA Search Sub-Committee for telephone interviews.
Ms. Bazluk stated that approval of the Executive Committee of the Board should be obtained before Mr. Botzow sign a contract with a search firm. Since the Executive Committee will not be meeting for another month, it was asked that a special meeting be arranged since time is of the essence.

Chair Botzow asked Ms. Heffner if she would continue in her role as Interim Director. Ms. Heffner agreed to continue to serve. He thanked her for doing a remarkable job.

The committee discussed hiring additional audit staff before a Chief Internal Auditor was on board, it was decided it would be a better practice to use outside help as needed, but to begin developing job descriptions for the new auditor positions. Additionally, work on preparation of on-campus office space should proceed.

**Executive Session**

At 9:58 a.m., a motion was made, seconded and approved to go into executive session to discuss contracts and evaluation of a public officer. President Fogel and Vice President Bazluke were asked to remain. All others in attendance were excused from the meeting.

**Adjournment**

The meeting was re-opened to the public at 10:07 a.m. There being no further business, the meeting was adjourned at 10:08 a.m.

Respectfully submitted,

Bill Botzow, Chair
Code of Business Conduct

Policy Statement

This Code of Business Conduct requires all University personnel to assume responsibility for safeguarding and preserving institutional resources so as to advance the institutional mission. It is the responsibility of supervisors to ensure that personnel whom they supervise receive adequate information and training to understand all laws and regulations, and all University policies and procedures, relevant to the discharge of their duties. In addition, all University personnel are expected to assume personal responsibility and accountability for understanding and abiding by relevant laws and policies and for adhering to the spirit of this Code.

Reason for the Code

All University personnel play a role in ensuring that institutional resources are protected, preserved and enhanced. This Code sets forth the fundamental expectations relating to business and fiduciary conduct. It is not intended to modify or restate University policies otherwise applicable to specific types of conduct or activities (see “Related Policies” below), or to limit in any way any additional rules or regulations that an administrative or academic unit may, through appropriate officials and channels, promulgate. Rather, the Code is a statement of the underlying standards and principles under which the University expects those with business and fiduciary responsibilities to carry out their duties.
Strategic Direction

This Code supports the following goal in the University’s Strategic Plan:

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

Applicability

This Code applies to all employees, including administrators, staff, faculty, and student employees, who manage, supervise or conduct University business or financial transactions or activities (“personnel”), and to University-recognized organizations and affiliated entities.

*Persons and entities who are not affiliated with the University may also use the Ethics and Compliance Hotline (anticipated go-live August 2009) to report perceived violations of this Code.*

Policy Elaboration

Administrators are required to report suspected fraudulent or dishonest conduct to the Audit Services Office. In addition, administrators are responsible for maintaining a system of management controls that deter and/or detect fraudulent or dishonest conduct. Failure by an administrator to establish management controls or report misconduct within the scope of this policy may result in adverse personnel action against the administrator, up to and including dismissal.

All University personnel are expected to be aware of and comply with University and unit policies relevant to their work duties, including without limitation the principles and policies listed below. Confirmed violations will result in disciplinary action, up to and including dismissal, and/or termination of institutional recognition of University group or organization status or external affiliate relationships with the University. In some instances, civil claims and criminal charges may also result. Procedures for the investigation of suspected violations, imposition of disciplinary action, and the availability of grievance or appeal channels shall be governed by otherwise applicable University policies, handbooks, and collective bargaining agreements.

Personnel in certain professions or occupations may be subject to additional ethical and professional standards. Failure to adhere to those standards may constitute a job performance issue to be addressed through customary performance review processes.
Neither the University nor its employees may retaliate against a whistleblower with the intent or effect of adversely affecting the terms or conditions of employment or enrollment (including but not limited to, threats of physical harm, loss of job or educational status, punitive work assignments, or impact on salary or wages). Relative to non-affiliated entities or persons who act as whistleblowers, neither the University nor its employees may retaliate with the intent or effect of adversely affecting business or other opportunities with the University.

General Principles of Conduct

- **Fraud, Theft or similar conduct** - Any act that involves theft, fraud, embezzlement or misappropriation of the property of University or any of its employees or suppliers is prohibited.

- **Fair Dealing** – University personnel must deal fairly with services and goods vendors. No unfair advantage shall be taken of prospective or current vendors through manipulation, concealment, abuse of privileged information, misrepresentation of material fact or any other unfair practice.

- **Financial Reporting** – All University accounts, financial reports, tax returns, expense reimbursements, time sheets, and other documents that must be completed in the course of the business of the University, including those due government agencies, must contain accurate information and be completed promptly by authorized personnel.

- **Personnel Records** – All University personnel must scrupulously ensure that all personnel records that they submit in connection with their employment (e.g., job applications; timesheets; vacation and medical leave records; benefits plan coverage or reimbursement requests) are accurate and completed promptly and in a manner consistent with applicable policies and procedures.

- **Compliance** -- Supervisors must ensure that their supervisees receive adequate information and training to understand the laws and regulations, and University policies and procedures, relevant to the supervisees’ discharge of assigned duties. In addition, University personnel are expected to assume personal responsibility and accountability for understanding and abiding by relevant laws, regulations and policies in the discharge of their duties.

- **Authority to Contract** – University transactions must be authorized by appropriate officials in accordance with applicable institutional policies and procedures.

- **Conflicts of interest and commitment** – University personnel shall adhere strictly to institutional conflict of interest and commitment policies.
o **Stewardship of University assets and resources** – University assets and resources must be used prudently and effectively, and only for legitimate and authorized purposes. University property shall not be used, leased, donated, sold, or traded without proper authorization.

o **Gifts and Gratuities** - University personnel may not directly or indirectly give, offer, ask for, or accept for personal use, any gift or gratuity, in cash or in kind, from any current or potential vendor, or a regulatory authority, in connection with a business or comparable relationship between the University and the other party. This rule does not prohibit courtesy exchanges of gifts of equal and nominal value (such value not to exceed $50 annually from one source) as dictated by the cultural customs of foreign visitors or when UVM personnel visit foreign countries. If a courtesy gift of the nature just described exceeds nominal value, it must be turned over to UVM within thirty (30) days through the Office of Vice President for Finance and Administration. University personnel are responsible for determining the customs rules applicable to such gifts when traveling out of the U.S.

o **Bribery, kickbacks and payoffs** – Acts of bribery, and kickbacks and payoffs related to the discharge of University duties are prohibited.

o **Confidentiality** -- University personnel must use reasonable diligence to maintain the confidentiality of information entrusted to them by the University or its students, alumni, employees or others with whom the institution has a business or fiduciary relationship, except when disclosure is authorized or legally mandated. This confidentiality principle applies both to information designated as such under applicable law, and non-public University information that might be useful to competitors or harmful to the University if disclosed. University personnel must take reasonable steps to protect and restrict the transfer of such confidential information to unauthorized persons and must share such information within the University on a “need-to-know” basis. All relevant protocols applicable to the safeguarding of information, including computer use protocols, must be followed.

o **Accuracy of Records** – University personnel are responsible for the integrity and accuracy of records they complete or maintain in the course of their duties regarding the business and/or financial operations of the University or a unit thereof. No false, misleading or artificial entries, or unauthorized alterations, shall be made on the University’s books and records or in reports the University is required to make as a matter of law or policy.

o **Records Retention** – Responsible University personnel must ensure that records are maintained and retained as required by University policy and governing law.

o **Responsible Management of Government Funds** -- The University will strictly comply with government grants and contracts terms and conditions and expects
its personnel to be knowledgeable about, and comply with, such terms and conditions as appropriate to, and required by, the nature of their duties.

- **Political Endorsements** – University personnel shall not, in their capacity as University personnel, endorse political candidates.

- **Commercial Endorsements** – University personnel shall not endorse commercial products or services except as specifically authorized in advance in an employment contract executed by appropriate University officials on behalf of the University and also approved in advance by the Senior Vice President and Provost.

- **Institutional Endorsements** – Institutional endorsements will be handled in accordance with University policies and procedures regarding Trademarks and Licensing.

**Definitions**

“**Administrator**” is a University official who has managerial or supervisory responsibility for another University employee or other University employees.

“**Appropriate responsible official**” is the individual by whom the possible violator is supervised. If the administrator making the report has reason to believe that the otherwise appropriate responsible official is aware of, or sanctioning, the violation, the report should be made to the next-level supervisor of the appropriate official.

“**Good Faith**” means honest belief, with the absence of malice or intent to defraud or seek unscrupulous advantage.

“**Retaliation**” includes any adverse action taken against University personnel because such person made a good faith report of a possible violation of this Policy. Examples of adverse action include, but are not limited to, threats of physical harm, implementing unfavorable changes in employment or educational status, punitive assignments, or negative impact on grades, salary or wages.

“**Whistleblower**” is an individual or entity who files a report of suspected wrongful conduct that is believed in good faith to constitute a violation of this Policy.

**Procedures**

Administrators must report perceived or demonstrated Code of Business Conduct violations to an appropriate responsible official or to the Office of Audit Services. Non-administrator personnel are strongly encouraged to report perceived or demonstrated violations to an appropriate official or to the Office of Audit Services. Reports may also
be made using the Ethics and Compliance Hotline (anticipated go-live August 2009).
Customary channels will be used in the investigation of alleged violations of this Code and any imposition of related disciplinary or administrative:

The University cannot guarantee confidentiality to persons making reports of suspected violations (“whistleblowers”). The investigating office will nonetheless strive to keep the identity of a whistleblower confidential, unless:

- The whistleblower agrees to be identified;

- Identification is necessary to allow University or law enforcement officials to investigate or respond effectively to the report;

- Identification is required by law; or

- The person accused of the violation is entitled to the information in disciplinary proceedings as a matter of right.

Whistleblowers who believe they have been retaliated against may file a written complaint with the Audit Services Office, which shall refer the report promptly to the immediate supervisor(s) of any person(s) accused of retaliation. If the whistleblower is alleging that an immediate supervisor engaged in the retaliation, Audit Services shall refer the retaliation report to the next level of administration.

If investigation determines that retaliation occurred, disciplinary action against the offender will be initiated through normal channels. If it is determined that retaliation has not occurred, the appropriate University official will so notify the whistleblower and explain the rationale for the conclusion. A whistleblower is not entitled to be informed of the nature and extent of any disciplinary action taken against personnel found to have engaged in retaliation.

This protection from retaliation is not intended to prohibit managers or supervisors from taking action, including disciplinary action, in the usual scope of their duties and based on valid performance-related factors.

Allegations of suspected violations made in bad faith may give rise to disciplinary action against the whistleblower and personal liability in response to external legal claims filed by an individual wrongfully accused of misconduct. The fact that a report of suspected violation has been investigated and found unsubstantiated is not necessarily indicative of bad faith.

**Forms**

The Ethics and Compliance Hotline <Link> (anticipated go-live 8/09)
Contacts and Responsible Official

Suspected violations of this Code may be reported to the appropriate responsible official or to the Office of Audit Services at:

Chief Internal Auditor
234 Waterman Building
Burlington, VT 05405
(802) 656-2662

The Vice President for Finance and Administration is the University official responsible for the interpretation and administration of this Code.

Related Documents/Policies

- Audit Services Investigative Protocol
- Computer and Network Use
- Effort Management and Reporting on Sponsored Awards
- FERPA Rights Disclosure
- Intellectual Property
- Loans to or Guarantees for Trustees and Officers
  [http://www.uvm.edu/~uvmppg/ppg/otherdoc/botloans.pdf](http://www.uvm.edu/~uvmppg/ppg/otherdoc/botloans.pdf)
- Misconduct in Research and Other Scholarly Activities – revisions pending
- Names, Symbols, Letterhead and Other Proprietary Indicia of Affiliation
- Political Activity
- Procurements and Contracts Policy – revisions pending
  [http://www.uvm.edu/~uvmppg/ppg/procure/procurement.pdf](http://www.uvm.edu/~uvmppg/ppg/procure/procurement.pdf)
- Records and Documents Requests
  [http://www.uvm.edu/~uvmppg/ppg/general_html/record_request.pdf](http://www.uvm.edu/~uvmppg/ppg/general_html/record_request.pdf)
- Records Retention
- Related Significant Financial Interest in Research and Scholarly Activity
- Trademarks
Effective Date

Approved by:

__________________  President
Daniel M. Fogel

__________________
Date

*Approved by the Board of Trustees Executive Committee on __________.*