A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Thursday, May 14, 2009 in the Livak Ballroom in the Davis Center.

MEMBERS PRESENT: Chair Bill Botzow, Vice Chair Mark Young, Carolyn Branagan*, Jeff Davis and John Snow

MEMBERS ABSENT: Harry Chen and Susan Hudson-Wilson

REPRESENTATIVES PRESENT: Alumni Representative Bill Cimonetti*, Staff Representative Renee Berteau and Student Representative Mike Glynne

REPRESENTATIVE ABSENT: Faculty Representative Bud Meyers

PERSONS ALSO PARTICIPATING: Richard Cate, Interim Vice President for Finance and Administration and University Treasurer; Erica Heffner, Interim Internal Auditor, and Claire Burlingham, Controller

*Via teleconference call

Bill Botzow called the meeting to order at 5:03 p.m.

Presentation of the Proposal for Purchasing Card and Travel Expenditure Audit

Following a round of introductions, including our new controller, Claire Burlingham, Mr. Cate stated this proposal, prepared by Erica Heffner, Interim Internal Auditor, was in response to a motion made by Mark Young at the April 28, 2008, meeting. He explained that he and Erica were looking to the Audit Committee for direction from this Committee to their suggestions.

Ms. Heffner stated she felt the timing for an audit of the purchasing card program and travel expenditures at the University of Vermont was appropriate in light the changes to travel expense process with the use of Peoplesoft, the growth of the purchasing card program, and the expanded use of the purchasing card for travel expenditures such as meals, airfare and lodging.

Presently, there are 1860 purchasing cards issued with annual purchases of $24.6M, approximately 5% of the operating budget. The purchasing card is also used for most purchases under $5,000.

Ms. Heffner proposed that this audit could be performed in-house by our current IT auditor. She suggested that a sample of the activity of approximately 25 cardholders as a
baseline review would be sufficient to identify existing risks and non-compliances with current policy. She noted the anticipated learning curve and training necessary to get outside staff acquainted with the program.

One goal of the audit would be to identify strengthened controls over expenditures and update existing policies and procedures which have evolved over the years since the Purchasing Card Program’s inception in 1998. Richard Cate suggested we do this initial sampling and then decide whether a further audit is necessary. The Audit Committee expressed desire for greater audit coverage and a larger sample size. Mr. Cate suggested a sample of ten percent as adequate coverage.

Chair Botzow listed two concerns:

1. The audit should be robust since this issue may not be audited again for a long period of time.
2. In a discussion about price, if a temporary agency or outside audit firm is contracted, keep in mind that we would lose value with hiring someone with less experience.

It was decided to proceed as soon as it is feasible. Mr. Cate stated that his understanding from the Audit Committee was that he should hire resources necessary to augment the present internal audit staff and the cost will not rise to the level of President or Board signatures. This audit now becomes an operational issue.

The timing of this audit coincides with the financial closing, affecting many of the same staff. Ms. Burlingham, Controller, agreed with the need to audit the purchasing card and travel and noted time would be allocated to do it correctly. After a good baseline is established, Mr. Cate stated funding would be built into the controller function going forward to keep controls in place.

**Adjournment**

Chair Botzow thanked Ms. Heffner for her work on this proposal. There being no further business, the meeting was adjourned at 5:36 p.m.

Respectfully submitted,

Bill Botzow
Chair