A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Tuesday, January 19, 2010 at 8:30 a.m. in Memorial Lounge in the Waterman Building.

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

MEMBER ABSENT: Jeffrey Davis

REPRESENTATIVES PRESENT: Faculty Representative Albert Joy, Staff Representative Jeff Bukowski (filling in until new representative is appointed in February), and Student Representative Hannah LeMieux

REPRESENTATIVE ABSENT: Alumni Representative Bill Cimonetti

PERSONS ALSO PARTICIPATING: David Todd, Chief Information Officer; Claire Burlingham, Controller; Erica Heffner, Interim Chief Internal Auditor; Chris Lamson, IT Auditor; Al Turgeon, Executive Assistant to the Vice President for Finance and Administration; and Tanya Morehouse, State Auditor’s Office

*Via teleconference call

After introductions, Chair Bill Botzow called the meeting to order at 8:33 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the December 14, 2009 meeting.

Update on Internal Audit Activities

Erica Heffner, Interim Internal Auditor, presented an update on activities in the Internal Audit Office. Co-sourced construction audits are performed for projects in excess of $5 million and for other projects recommended by Facilities, Design and Construction. Currently, two construction audits have been finalized and are now in the negotiation stage and two draft audits are being reviewed. CBIZ Tobias of the Boston area is the firm used for these current projects, however, three regional firms have been used to date. Ms. Heffner suggested that the new Chief Internal Auditor, in coordination with Facilities, Design and Construction, present an annual report for construction auditing that would provide an in-depth look at this activity and the resulting savings. This program has been a successful example of co-sourced auditing at UVM over the last several years.
Management is preparing their response to the travel audit results, and it is anticipated that the report will be complete near the end of January, 2010. Work continues on the Conflict of Interest Policy compliance and controls over hiring of temporary employees. These audits should be completed in February or March, 2010.

In regards to external audits, Grants and Contract Administrative Services received notice from the National Science Foundation (NSF) that the desk review is closed and concerns have been adequately addressed.

KPMG notified management in early January that they are be required to audit two additional programs for the FY09 OMB Circular A-133 Audit, specifically the Student Financial Aid program and the Medicaid program. Due to this additional work, KPMG will not be able to present the A-133 results to the Audit Committee as anticipated in February, however, they expect to meet the federal due date for the report of March 31, 2010.

The Department of Defense (DoD) audit has been delayed until the end of February.

The Internal Audit Office has recently moved back to campus and is now located in Billings.

**Report on Information Security Issues**

David Todd, Chief Information Officer, gave a report on recent security initiatives, including the formation of an Information Security Operations (ISO) Team. Since early October, this team, representing a combined Full Time Equivalent (FTE) of 1.2, has been the focal point for institutional information security projects, planning and policy. He stated that it would be difficult to hire a Chief Security Officer (CSO) because of the affordability and difficulty in finding one. It was stated that the Audit Committee has been asking for a status on hiring a CSO for several years, and been told that this position had been budgeted. Trustee John Snow inquired as to how prevalent the CSO position is at other institutions. David Todd indicated that they hoped to develop a CISO internally. Information security training has been scheduled for the ISO team.

To date, the ISO Team has been working on Payment Card Industry Data Security Standards (PCI-DSS) compliance issues. The team is developing an understanding of these requirements set by the credit-card industry, classifying the University merchants, implementing remediation with the goal of attaining compliance by September 2010.

Another security initiative is the development of an Information Security Policy. While the policy primarily addresses technology, it also includes managing physical desktops. The policy will identify “stewards” of information and the respective roles and responsibilities expected of them. It is presently in early review with anticipation of understanding staffing and budgetary implications. This will move to public comment in February and a policy is expected to be approved by the end of this semester. Chair Botzow asked if the University had inventoried the storage and transmission of protected
information throughout the campus. Davie Todd responded that the inventory had been completed and will be included in the Information Security Policy.

The Higher Education Opportunity Act (HEOA) (2008) file sharing compliance requirements has a July 2010 deadline. This act includes an annual disclosure to students of the institutional policies and criminal liabilities for downloading copyrighted materials, including music and video, and unauthorized peer-to-peer file sharing and the prohibited use of the institution’s information technology system for those activities. The team is formulating a plan to offer alternatives to illegal downloading. “Bandwidth Shaping” was suggested, at a cost of approximately $150,000, but this would not address the activities of students living off-campus. Education is the key to inform all students of the implications of this act.

Chair Botzow noted that information technology presents an increasing risk area and expressed concern whether the University had developed a comprehensive approach to addressing these risks including providing adequate resources and determining the need for an institutional leader. He recommended that internal audit continue to provide consultative services to University management in this area. It was suggested that David Todd return at a future meeting to provide an update to these issues.

**Update from Enterprise Risk Management (ERM) Work Group**

Carolyn Branagan reported the progress of this work group. Since the University’s adoption of the COSO model, President Fogel approved the implementation of an ERM program at UVM and appointed Vice President Richard Cate as the University’s Chief Risk Officer (CRO). These related actions advance the University’s risk management and internal controls toward best practice in higher education.

The ERM program will encompass the review, evaluation and prioritization of the broad range of risks to the University’s continuity and strategic goals. A detailed schedule of action steps was presented including the formation of a cross functional ERM advisory committee. Upper management will be engaged to help prioritize the larger risks and identify risk thresholds or tolerance levels. Trustees will be advised of the status of the ERM initiative through the Audit Committee Chair’s report at the February Board meeting. Program implementation is anticipated to begin in July 2010. John Snow advised that management should consider the cost/benefits of this program and keep the process manageable.

**Other Business**

Chair Botzow announced that there would be no Audit Committee meeting in February, with a possibility of a conference call regarding the appointment of a new Chief Internal Auditor. In March, KPMG will present the OMB Circular A133 and NCAA reports.
At 9:42 a.m. a motion was made, seconded and approved to go into executive session to discuss contracts and appointment of a public officer, respectively. The Chair asked Erica Heffner, Claire Burlingham and Tanya Morehouse to remain for the first topic.

Adjournment

The meeting was re-opened to the public at 10:12 a.m. The following resolutions were presented and unanimously passed by members of the Audit Committee:

**Resolution Authorizing Retention of External Audit Firm for FY 2010**

RESOLVED, that the Committee authorizes and directs the Committee Chair to retain KPMG LLP, Certified Public Accountants, to conduct the mandatory financial attestation and compliance audits for the fiscal year ending June 30, 2010 in accordance with the fee schedule set forth in KPMG’s proposal for services dated December 23, 2008. The annual audits shall be conducted in compliance with the requirements of the University Bylaws and state and federal law.

**Resolution Authorizing Committee Chair to Initiate and Conclude Contract Negotiations**

RESOLVED, that the Committee authorizes and directs the Committee Chair to initiate and conclude contract negotiations pursuant to the status report received today regarding the selection of the Chief Internal Auditor.

Adjournment

There being no further business, the meeting was adjourned at 10:15 a.m.

Respectfully submitted,

Bill Botzow
Chair