AUDIT COMMITTEE
BOARD OF TRUSTEES
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Monday, May 10, 2010 at 9:30 a.m. in the 427A Conference Room, Waterman Building.

MEMBERS PRESENT: Chair Bill Botzow, Susan Hudson-Wilson*, David Potter, Dale Rocheleau and Brian Sozansky

MEMBERS ABSENT: Vice Chair Mark Young, Carolyn Branagan, and Jeffrey Davis

REPRESENTATIVES PRESENT: Faculty Representative Albert Joy, Alumni Representative Bill Cimonetti, and Staff Representative Marie Tiemann

REPRESENTATIVE ABSENT: Student Representative Elizabeth Salsgiver

PERSONS ALSO PARTICIPATING: Richard Cate, Vice President for Finance and Administration and University Treasurer; Francine Bazlude, Vice President for Legal Affairs and General Counsel; William Harrison, Chief Internal Auditor; Anna Drummond, Chief Compliance Officer; Claire Burlingham, University Controller; Erica Heffner, Compliance Office; Jennifer Sheridan, Audit Services Office; Jennifer Gagnon, Director, Grant and Contract Administrative Services; Lindsey Donovan, Assistant Controller; and Tom Salmon and Tanya Morehouse, State Auditor’s Office

*Via teleconference call

After introductions, Chair Bill Botzow called the meeting to order at 9:34 a.m. He welcomed Bill Harrison, new Chief Internal Auditor and Anna Drummond, new Chief Compliance Officer to the meeting.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the March 8, 2010 meeting.

New Member Committee Orientation

Chair Botzow asked members of the Committee if they had any questions regarding the Orientation Manual sent to them, which included the charter and other pertinent materials which the new members, David Potter, Dale Rocheleau and Brian Sozansky as well as seasoned members could find useful. After Chair Botzow pointed out a few small housekeeping-type changes, he encouraged Committee members to contact him with questions.
Introduction of Anna Drummond, New Chief Compliance Officer

Vice President Fran Bazluke introduced Anna Drummond, the new Chief Compliance Officer for the University of Vermont.

Ms. Drummond is an attorney with an extensive background in regulatory compliance gained from experience in industry, the financial sector and government. In the last few weeks, she has met with a large number of University leaders, as well as individuals with operational responsibility for compliance. These meetings have allowed her to gather thoughts on compliance within the University and create a foundation for collaboration. She has also reviewed several past audits for compliance findings and has attended a national conference of compliance officers in higher education. With this information, she prepared a draft Compliance work plan contained within a report distributed to the President, Provost and members of the Audit Committee (the Report).

Ms. Drummond began by noting that the University of Vermont has separated the compliance and audit functions and that this should enhance the distinct roles of each office. Erica Heffner, former Interim Chief Internal Auditor, is now a member of the Compliance Office. Ms. Drummond noted that Erica’s years of experience in compliance and her institutional knowledge of the University make her an invaluable asset.

Ms. Drummond then outlined the contents of the Report. The Report consists of sections describing the compliance program, generally, the compliance “Matrix”, the role of communications/education in compliance, data collection for the office and the Compliance work plan for the next fiscal year. The mission of the Office is to work proactively and collaboratively with members of the University to promote an institutional culture of compliance and thus prevent and effectively address violations of law, regulation, and University policy and protocols. In order to achieve its mission, the Office of Compliance Services will monitor, communicate and educate the University of Vermont community about existing and emerging compliance requirements; coordinate institutional compliance activities; create training opportunities; develop compliance work plans for use by responsible officials, assess and report periodically on progress toward compliance goals and assist in the development of remediation plans as needed.

The compliance Matrix catalogues each of the (over 400) laws, regulations and University policies that impact the University. It tracks changes in these laws and will ascribe a responsible official and supervisor for each. This will help clarify compliance responsibilities. In addition, Ms. Drummond noted that communication and education are integral to compliance. The Report notes three primary communications areas to be addressed, including a description of the Office and its role within the University (brochure and website), as well as promotion of the Code of Business Conduct and the Ethics and Compliance Reporting and Help Line. Finally, Ms. Drummond explained how she had begun to finalize her work plan for the next year with a view to focusing on three or four issues. Probable compliance risks for the Compliance work plan in FY 2010
are: (i) information security, privacy and records retention, (ii) research and (iii) health and safety.

Members asked questions regarding the recently established Ethics and Compliance Reporting and Help Line for compliance reports to be made by individuals across campus. Ms. Drummond explained that when a report is made through the Help Line, four offices are immediately informed, including General Counsel, Compliance Office, Internal Audit Office and Vice President for Executive Operations Gary Derr. The report is then referred to the appropriate responsible official and/or an investigation is conducted by the Office of Audit Services. A communication initiative will be launched by the Office to raise awareness of the Help Line, including posters, brochures and electronic communications. At a future meeting, Ms. Drummond will present statistics on Help Line activity, a more finalized protocol for its use and communications activity for heightening awareness of its existence. Additional data on other Office activities will also be presented.

**Update on Office of Audit Services Activities**

William Harrison, Chief Internal Auditor, stated that the Conflict of Interest Policy and the Hiring of Temporary Employees audits are currently in process. The draft temporary employees audit has been sent to management for comment and the conflicts of interest policy audit has been delayed due to significant unplanned audit activity. He expects both audits will be issued before the end of the current fiscal year.

Concerning external auditing activity, the Department of Labor completed their audit of our affirmative action plan and I-9 compliance and provided a positive report on their findings. The National Science Foundation (NSF) FFR Award Monitoring Review is in process. KPMG has started their field work on the FY’10 financial statement and A-133 audit and has scheduled the IT kickoff meeting for May 11. The Department of Defense (DoD) audit has been postponed to June 21 and will include NASA grants. The DoD will conduct an exit interview but will not issue a report. Claire Burlingham will keep the Committee informed of the status.

Other internal auditing activity includes the recruitment of two internal audit positions (a lead, senior and/or entry level auditor) plus a shared administrative assistant with the Office of Compliance Services. It is anticipated that the recruitment actions will be complete by mid- to late summer. An RFP for co-sourced audit resources was issued on April 30, 2010. An RFP for construction audit services is now in process.

**Review of the FY 2011 Audit Plan**

Mr. Harrison presented the draft FY 2011 audit plan to the Committee and briefly described the types of audit services provided by the office, the typical phases of the audit process, the list of planned audits, and the goals and related actions for the office over the upcoming year. The plan was developed taking into consideration a number of different factors including input from senior management and the Board as well as the results of
prior audit activity. Mr. Harrison emphasized that the successful completion of the audit plan is contingent on the recruitment of two new internal audit staff, co-sourcing external audit resources, and the level of unplanned activities.

Mr. Harrison addressed questions related to the scope of departmental reviews and the amount and types of risk documentation to maintain in support of his decision to include or not include audits in the final plan. Further, the plan is a starting point but may need to be updated during the year based on any changes to the University’s risk environment. He will update the Audit Committee on any changes throughout the year.

Based on the Audit Committee’s responsibilities, this plan does not require approval, but the Committee will be continually updated during the year on its progress.

**Preliminary Report of FY 2011 Office of Audit Services Budget**

Mr. Harrison presented the preliminary FY 2011 budget of approximately $996,000 to the Committee, which includes resources for two new internal audit staff. However, the funding for the co-sourced external audit resources is not reflected in the FY 2011 budget. Mr. Cate remarked that the resources available for co-sourcing came from salary savings in the current fiscal year.

**Executive Session**

At 10:50 a.m., a motion was made, seconded and approved to go into executive session to discuss legal matters and the evaluation of a public officer. All in attendance were excused from the meeting, with the exception of Trustees, State Auditor Representatives Tom Salmon and Tanya Morehouse, as well as William Harrison and Jennifer Sheridan who stayed for a portion of the session.

**Adjournment**

At 11:35 a.m., the meeting was re-opened to the public. There being no further business, the meeting was adjourned,

Respectfully submitted,

Bill Botzow
Chair