A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Monday, October 11, 2010 at 10:00 a.m. in room 427A Waterman Building.

MEMBERS PRESENT: Chair Bill Botzow, Vice Chair Mark Young*, Carolyn Branagan*, Susan Hudson-Wilson*, David Potter, Dale Rocheleau and Brian Sozansky

MEMBERS ABSENT: Jeff Davis

REPRESENTATIVES PRESENT: Alumni Representative Bill Cimonetti*, Faculty Representative Albert Joy and Graduate Student Representative Dustin Evatt (representing the Graduate Student Senate).

REPRESENTATIVE ABSENT: Staff Representative Marie Tiemann and Student Representative Elizabeth Salsgi.

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration and University Treasurer Richard Cate, Chief Internal Auditor William Harrison, Chief Compliance Officer Anna Drummond, Tanya Morehouse of the Vermont State Auditor’s Office and Renee Bourget-Place of KPMG.

*Participated via teleconference call.

Chair Bill Botzow called the meeting to order at 10:03 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the August 9, 2010 meeting.

Chair Botzow welcomed John Copoulos and Lixia Li whom are new internal auditors working in the Chief Internal Auditor’s Office.

Chief Internal Auditor Update

Chief Internal Auditor William Harrison began by adding to Chair Botzow’s introduction of auditors John Copoulos and Lixia Li. Mr. Copoulos, Lead Auditor, comes to UVM from Massachusetts and was formally employed by Bay State Health and University of Massachusetts. He brings with him a wealth of experience from private industry, internal and external auditing as well as tax accounting. He is a Certified Public Accountant. Ms. Li, Senior Auditor, worked for Gallagher Flynn and Company for several years prior to coming to UVM. She is also a Certified Public Accountant.
Mr. Harrison offered a summary of internal and external audit activities noting that a hard-copy of his report was submitted to Committee members in advance of this meeting. One report, a carryover from the 2010 fiscal year, was issued for the Vermont Genetics Network and focused on PurCards, internal controls, and several minor questionable transactions. Two reports are in process and should be issued this week or early next week. The first is the Morgan Horse Farm Internal Control Review, which is currently undergoing final quality assurance checks. The second report concerns an audit of compliance with the Fair Labor Standards Act. A discussion draft report of this audit will soon be issued to management, followed by comments from management and the completion of audit quality assurance processes.

There are several additional audits in various stages of progress, most of which are being scheduled starting in November. External Auditors from Altran Control Solutions are working on the Grant Proposal Process Audit. They have started the review process and have been working with the Office of Sponsored Programs gathering background information and developing a work plan.

Mr. Harrison noted in his report the amount of planned vs. unplanned hours being worked by staff in the Office of Audit Services. Mr. Copoulos and Ms. Li have been spending most of their time addressing two unplanned activities. He also noted how helpful it has been to have the auditors from Altran Control Solutions work on the Audit Plan. His office will continue to track how staff hours are spent so adjustments can be made if necessary. In addition, he commented that the following names have been updated on the Audit Organization Chart, noting that two student auditor positions have also been added to the chart: Amy Vile, Administrative Assistant (50% assignment); John Copoulos, Lead Auditor; Altran Control Solutions, Co-sourced Auditors; and Lixia Li, Senior Auditor.

Finally, Mr. Harrison presented follow up on Chairman Botzow’s request to investigate best practices related to how the Committee can fulfill its responsibility to meet with, listen to and question the University’s external auditors, Chief Internal Auditor, Chief Compliance Officer, and senior managers on a one-on-one basis about audits and the evaluation of the people in these audits. Mr. Harrison reached out to several peer institutions and received few responses, but did note that he received a recommendation that the Committee should enter executive session for the purpose of the evaluation of public officers, which is an exemption provided for in the Vermont Open Meeting Law. Mr. Harrison also noted that questions asked in executive session must be focused on evaluations and may not be generic in nature. He will share a detailed plan for executive sessions with Chair Botzow and General Counsel prior to each meeting and will note the appropriate exemptions at the bottom of each meeting agenda, when applicable.

**Chief Compliance Officer Update**

Chief Compliance Officer Anna Drummond reviewed the Offices of Compliance Services report distributed to Committee members in advance of the meeting. Ms. Drummond noted that the Compliance Program Description has now been expanded to include a Privacy Program. Ms. Drummond also highlighted a graphic depiction of how Audit Services and Compliance Services interact with one another on certain matters. The Compliance Program Description is being broadly circulated in order to underscore the various functions of each office.
The next matter addressed in the Compliance Report was Government reviews. Ms. Drummond recalled that when she first started her work as the Chief Compliance Officer she had found the University lacked a coordinated institutional process for responses to governmental reviews. The existence of this protocol, generally found in other types of regulated entities, is an integral part of compliance in that it is the mechanism by which institutional compliance is conveyed to regulators on specific matters. She addressed this gap by drafting a Government Review Protocol, which outlines steps to ensure all University responses to Government Reviews are timely, consistent and thorough. The draft has been shared with the President’s Senior Leadership and will be broadly distributed. As part of the new procedures she is involved in assisting the University community with such Government reviews. She then provided the Committee with an update on two concluded Government reviews.

Ms. Drummond next updated the Committee on the work of Compliance with respect to the Compliance Matrix. The Matrix is a “working document” that lists areas of compliance that impact the University and the specific law, regulation and University policies that relate to these areas. It is divided into eight broad categories that contain over 500 lines of law/ regulation or policy. A significant task of the Compliance Office has been to, not only update this document as regulatory changes occur, but, importantly, to ascribe a single responsible official for each of the compliance areas within the Matrix, together with the name(s) of the oversight or supervisory official for each area. The result is that there is now clear responsibility and accountability for each compliance area to which the University is subject. The index and first two pages of the Matrix were shared with the Committee to communicate the breadth of the document.

Ms. Drummond moved on to discuss the Compliance Work Plan. This is the risk-based plan that underlies the proactive work of the Compliance Office in dealing with selected institutional compliance issues and has been completed following a lengthy process of analysis. Three primary areas identified by the Chief Compliance Officer for the current year are: research, privacy and health and human safety.

The Compliance Office has also completed and begun implementation of its Communications Plan. The Plan is a social marketing effort, integral to the creation of a “culture of compliance” at the University. Short term goals include raising awareness of the Compliance Office, the Ethics and Compliance Reporting and Help Line, and University Policies, specifically including the Code of Business Conduct. As part of the Plan, her office developed a survey that was distributed to over 3500 faculty, staff, deans, and directors in order to measure their baseline level of awareness. The Compliance Office is currently analyzing the resultant survey data. The analysis of this data will be presented to the Committee at a future date. In communicating the survey results to the University community, a brochure designed to raise awareness will be electronically distributed to the surveyed individuals.

Data on the Compliance Office’s efforts in University policy writing and review, compliance consultation, coordination of Governmental Review responses, educational and outreach efforts, etc. is being collected. This data was shared with the Committee and reflects not only the utilization of resources, but should also identify compliance trends.
In regards to training and education, Ms. Drummond is developing a work group to survey training initiatives at the University. This group will address inventory training, identify gaps in training, assess training and tracking and propose and assist with remediation of any found deficiencies.

Finally, Ms. Drummond concluded by updating the Committee on the Compliance and Ethics Reporting and Help Line, which is administered by the Compliance Office. To date, eight reports have been received, four have been referred for investigation and the others were referred to management for resolution. Two of the resolved reports resulted in corrective action and the other two were found to contain unsubstantiated allegations.

Chair Botzow asked the Chief Compliance Officer if there were any obstacles to fully implement the Compliance Program. Ms. Drummond noted that a lack of resources may impact the program.

**KPMG Update on FY10 Financial Statement Audit**

Renee Bourget-Place, of KPMG, provided a brief update regarding the FY ‘10 financial statement audit. All field work was completed last week and KPMG is on target with the audit plan timeline. Final results will be presented to the Committee at their December 15 meeting. Regarding the major programs tested in the A-133 audit, KPMG will complete field work for the research & development and financial aid clusters only. The other two programs originally identified as potentially needing testing will not need to be audited.

**Recommendation of the Amended Code of Business Conduct Policy to the Board of Trustees for Approval**

Vice President for Finance and Administration Richard Cate gave a brief overview of the recommended changes to the Code of Business Conduct Policy. He indicated that most of the changes are simple updates, but he noted there was a detailed conversation he had with general counsel and senior leadership concerning the matter of gifts and gratuities (see appendix A). He noted that the draft policy presented at the August 8 meeting had much more strict language that would affect University employees. It was pointed out that the matter of gifts and gratuities is not as easy to define as was previously recommended. After much discussion, it was decided the language now being proposed would be more appropriate to ensure best practices, but in a manner that is practical for the campus at large.

The following resolution was presented for approval:

**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, clarification on the Gifts and Gratuities provision and conflicts of interest guidance, and the Audit Committee’s
recommendations regarding leave recording, timeliness of reports and institutional endorsements;

BE IT RESOLVED, that the Committee hereby recommends to the Board of Trustees for approval the amended Code of Business Conduct Policy appended to this document.

A motion was made, seconded and it was unanimously voted to approve the resolution as presented.

Approval of Amended Audit Committee Charter and Approval of Amended Audit Charter

Chair Botzow recalled that the Committee had reviewed both the amended Audit Committee Charter and amended Audit Charter (included as Appendices B & C) at the August 9 meeting at which the Committee deferred making a motion on either item until this meeting. Specifically, Chair Botzow had requested that the Audit Committee Charter be further amended to include language regarding the University’s executive management and the Board of Trustees Audit Committee’s adherence to professional standards and ethics. As a result, language was inserted based on the Committee of Sponsoring Organization (COSO) Internal Control-Integrated Framework (see Appendix B, Audit Committee Guidelines, Section IV). Vice President Cate pointed out an additional change to the Audit Committee Charter, recommending an annual review of the charter, rather than periodic reviews (see Appendix B, Charter, section IV).

A motion was made, seconded and voted to approve both documents as amended and to remit the amended Audit Committee Charter to the Board of Trustees for approval later this month.

Enterprise Risk Management Update

Vice President Cate presented a brief overview of the Enterprise Risk Management (ERM) presentation provided to the Committee. He noted that Arthur J. Gallagher Risk Management Services, Inc., a consulting firm, has been hired to benchmark the University’s proposed ERM policy against peer institutions and to provide any recommendations they may have. The firm has completed several interviews with key stakeholders and their report is expected to be received by October 25. The Committee will have a chance to receive a final version of this review.

Trustee Dale Rocheleau, who is leading the Enterprise Risk Management Work Group, offered his opinion of Enterprise Risk Management as being the responsibility of the whole University and the goal being to control risk not avoid risk. He expects the University to leverage current programs and infrastructure in the ERM process to the greatest extent possible. He also added that rating agencies are often interested in an organization’s ERM policies when evaluating their credit. He recalled that the purpose of the ERM Work Group is to engage with the administration on framing the final work product which is targeted to be presented to the full Board at their May 2011 meeting.

Trustee Rocheleau also reported that the ERM Work Group met last week to discuss the ERM presentation and process. The Work Group will be meeting after the final report has been
received from the consulting firm to review the results and develop thoughts to present to the administration.

**Other Business**

At 11:15 a.m., a motion was made, seconded and approved to go into executive session to consider civil actions, a personnel matter, and attorney-client privileged correspondence. All in attendance were excused from the meeting, with the exception of Trustees and Chief Internal Auditor William Harrison, Chief Compliance Officer Anna Drummond and Tanya Morehouse of the State Auditor’s Office.

**Adjournment**

At 11:50 a.m., the meeting was re-opened to the public. There being no further business, the meeting was adjourned,

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 of the Code

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.

Policy

Persons and entities who are not affiliated with the University may also use the Ethics and Compliance Hotline (https://secure.ethicspoint.com/domain/media/en/gui/24544/index.html) to report perceived violations of this Code.

Code 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 the 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.

- 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.

- Gifts and Gratuities – University personnel may, So as to prohibit and deter conflicts of interest or the appearance of a conflict of interest, University officials who have executive or management responsibility for a business or equivalent relationship with a services or products vendor shall 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 nor shall they directly or indirectly give, offer, ask for, or accept for personal use, any gift or gratuity, in cash or in kind, from any potential vendor. See below “Clarification on Gifts and Gratuities and Conflicts of Interest Guidance.” 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.

- Bribery, Kickbacks and Payoffs – Acts of bribery, and kickbacks and payoffs related to the discharge of University duties are prohibited.

- Confidentiality – University personnel must use reasonable diligence to maintain the confidentiality of information entrusted to them by the University and/or its students, alumni, employees or others with whom the institution has a business or fiduciary relationship, except when disclosure is properly 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 only. All relevant protocols applicable to the safeguarding of information, including computer use protocols, must be followed.

- Accuracy of Records – University personnel are responsible for the integrity and accuracy of records that 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.

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

- 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.

Clarification on Gifts and Gratuities Provision and Conflicts of Interest Guidance

Although all University employees are subject to conflicts of interest policies, the Gifts and Gratuities provision is intended to apply solely to University officials who have executive (e.g., Vice President or political candidate senior) or management authority and responsibility with respect to specific commercial contracts, such as those with services or products vendors. Its purpose is to eliminate or avoid situations in which it appears that a University official is being, or could be, improperly influenced by the receipt, or prospect of, gifts or other gratuities in selecting a vendor. All purchasing decisions by UVM officials should be made on the basis of the vendor best suited to meet UVM’s needs and not based on personal or financial relationships.

The rule prohibiting gifts and gratuities does not apply to the following examples of situations:

- Mementos or other gifts of nominal value associated with volunteer services offered by a UVM employee to UVM or a charitable nonprofit (e.g., T-shirt for assisting with Move-In Day; “free” movie tickets from Red Cross for donating blood)

- Tokens of nominal value offered at fairs or information sessions available generally to UVM employees (e.g., pens, Post-Its, etc. displayed at a UVM Benefits fair or event)

- Items made generally available by a sponsor or a vendor at a professional conference (e.g., tote bag; mug)

- Hospitality made generally available to attendees at a professional conference or event by a sponsor or a vendor (e.g., refreshments; evening reception; meal made available to attendees or a discrete subset of them, such as New England higher education admissions counselors)

- Courtesy gifts of nominal value (such value not to exceed $50 annually from one source) as dictated by the cultural customs of foreign hosts or visitors. 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.

- Business meals and similar amenities with a significant business purpose, such as would be eligible for expense reimbursement under the applicable UVM Policy: http://www.uvm.edu/~uvmppg/ppg/procure/businessmeals.pdf If the amenities are being
extended to a University official, their receipt must be associated with a business purpose, appropriate as to time and place, and must not influence or give the appearance of influencing the recipient. Thus, in the latter case, a UVM official having executive or management authority for a contract or business relationship with the person(s) hosting the meal or similar amenity may accept the offer only (1) if it would otherwise be reimbursable under the UVM Business Meal and Amenity policy were the hospitality being offered by the UVM official; and (2) the UVM official declares the business meal or similar amenity on the disclosure form appended to this Code.

- Subsidization or reimbursement of business travel by a professional association or other nonprofit organization that is not a services or products provider to UVM through business arrangements over which the UVM official has executive or management authority and responsibility. In the event that the subsidy or reimbursement is being offered by a services or products provider to UVM through business arrangements for which the UVM official has executive or management authority and responsibility, the official may seek advance approval from his or her supervisor for UVM coverage of such travel expenses if the supervisor concludes that the University’s interests would be best served by the official participation in the event.

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 person 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.

“Contracting authority” is the University official who, under Procurement protocols or the Contract Approval and Signatory Authority, is authorized and required to approve and execute a contract. Contract authority for specified and limited purposes may be delegated under the procedures outlined in Procurement protocols or the Contract Approval and Signatory Authority.

“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 a term used for an employee, individual, or student who files a report of suspected wrongful conduct that he or she believes 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, or the Office of Compliance Services. Non-administrator personnel are strongly encouraged to report perceived or demonstrated violations to an appropriate official or to the Office of Audit Services or the Office of Compliance Services. Reports may also be made using the Ethics and Compliance Reporting and Help Line (https://secure.ethicspoint.com/domain/media/en/gui/24544/index.html). Customary channels will be used in the investigation of alleged violations of this Code and any imposition of related disciplinary or administrative action.

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 legal or policy right.

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

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.

**The Ethics and Compliance Reporting and Help Line**


**Forms**

N/A

**Business Hospitality Annual Disclosure Form (link TBD)**

**Contacts and Responsible Official**

The Vice President for Finance and Administration (VPFA) is the University official responsible for the interpretation and administration of this Code. The VPFA may be contacted as follows:

**VP Finance & Administration**
Waterman Bldg. 350B
802 656-0219
Richard.Cate@uvm.edu

Suspected violations of this Code may be reported to the appropriate responsible official or to the following officials:

**Chief Internal Auditor**
Audit Services
Billings B158, 48 University Place
802-656-0568
William.Harrison@uvm.edu

**Chief Compliance Officer**
Office of Compliance Services
Billings B159, 48 University Place
802 656-0847
Anna.Drummond@uvm.edu

**Related Documents/Policies**

Audit Services Investigative Protocol
http://www.uvm.edu/~uvmppg/ppg/general_html/related_docs/invprotocol.pdf

Code of Business Conduct FAQ
http://www.uvm.edu/~uvmppg/ppg/general_html/related_docs/businesscodefaq.pdf

Computer and Network Use
http://www.uvm.edu/~uvmppg/ppg/cit/compuse.pdf

Conflict of Interest and Commitment Policy
http://www.uvm.edu/~uvmppg/ppg/general_html/conflictinterest.pdf

Contract Approval and Signatory Authority

Effort Management and Reporting on Sponsored Awards
http://www.uvm.edu/~uvmppg/ppg/grants/effortreporting.pdf

FERPA Rights Disclosure
http://www.uvm.edu/~uvmppg/ppg/student/ferpa.pdf

Health Insurance Portability and Accountability Act (HIPAA)
http://www.uvm.edu/~complian/compliance/?Page=HIPAA_UVM.html

Intellectual Property
http://www.uvm.edu/~uvmppg/ppg/general_html/intellectualproperty.pdf

Loans to or Guarantees for Trustees and Officers
http://www.uvm.edu/~uvmppg/ppg/otherdoc/botloans.pdf

Misconduct in Research and Other Scholarly Activities – revisions pending
http://www.uvm.edu/~uvmppg/ppg/grants/researchmisconduct.pdf

Names, Symbols, Letterhead and Other Proprietary Indicia of Affiliation
http://www.uvm.edu/~uvmppg/ppg/general_html/letterhead.pdf

Political Activity
http://www.uvm.edu/~uvmppg/ppg/general_html/political_activity.pdf

Procurements and Contracts Policy – revisions pending
http://www.uvm.edu/~uvmppg/ppg/procure/procurement.pdf

Records and Documents Requests
http://www.uvm.edu/~uvmppg/ppg/general_html/record_request.pdf

Records Retention
http://www.uvm.edu/~uvmppg/ppg/general_html/recordretention.pdf

Related Significant Financial Interest in Research and Scholarly Activity
http://www.uvm.edu/~uvmppg/ppg/grants/researchcoi.pdf

Trademarks
http://www.uvm.edu/~uvmppg/ppg/general_html/trademark.pdf

Travel

Effective Date

Approved by:
Version 4.0.2.3 approved by the President on July 20, 2009

Version 4.0.2.3 Revised by the Audit Committee on July 13, 2009 and approved by the Board of Trustees Executive Committee on July 17, 2009.

Version 4.0.2.4 Revised by the Audit Committee on October 11, 2010 and approved by the Board of Trustees on October 30, 2010.
**BUSINESS HOSPITALITY ANNUAL DISCLOSURE FORM**

**NOTE:** THIS FORM IS TO BE COMPLETED ONLY BY A UNIVERSITY OFFICIAL WHO HAS RECEIVED BUSINESS HOSPITALITY OR SIMILAR AMENITIES (“AMENITIES”) AND HAS EXECUTIVE OR MANAGEMENT AUTHORITY FOR A CONTRACT OR BUSINESS RELATIONSHIP WITH THE PERSON(S) OFFERING THE AMENITIES (“HOST”). ACCEPTANCE OF THE AMENITIES IS PERMISSIBLE ONLY IF AMENITIES WOULD OTHERWISE BE REIMBURSABLE UNDER THE UVM BUSINESS MEAL AND AMENITY POLICY WERE THE HOSPITALITY OFFERED TO THE HOST BY THE UVM OFFICIAL.

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**TITLE:**

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UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

BOARD OF TRUSTEES

AUDIT COMMITTEE

Charter

This Charter sets forth the responsibilities of the University Board of Trustees Audit Committee.

I. Principal Responsibilities

The principal responsibilities of the Committee shall include:

a. promoting the development and monitoring the effectiveness of an institutional system of risk assessment and internal controls;

b. reviewing and, as appropriate, making recommendations to the Board, regarding institutional policies relevant to the scope of Committee responsibilities, including conflict of interest, ethical and fraudulent conduct, whistleblower protection, and documents retention;

c. ensuring that audit plans encompass significant and material aspects of University operations;

d. full authority and oversight of the internal audit function including appointment decisions, performance evaluations, and employment termination of the chief internal auditor;

e. selecting and retaining the independent auditor and recommending such additional audits as the Committee and/or the Board must approve under the Board’s reserved authority;

f. maintaining direct and effective communication with independent auditors on behalf of the Board;

g. reviewing the results of internal and external audits (including the annually audited financial statements), and assessing the quality and timeliness of management’s response and corrective actions;

h. reviewing the effectiveness of the University’s practices related to monitoring its compliance with laws and regulations;

i. reviewing the results of management’s investigation and resolution of any reported, or otherwise discovered, significant instances of noncompliance;
II. Membership

The University of Vermont Board of Trustees shall annually appoint at least 7 of its members to the Committee. Its members shall be independent of management and the University including its component units and affiliated organizations. For the purposes of this charter, “independence” is defined as rendering a Trustee ineligible for Committee service if he or she is (1) is employed by the University; (2) is a partner or employee of a firm retained to conduct an audit of the University; (3) held such University employment or audit engagement at any time during the previous three years; or (4) is receiving consulting, advisory, or other compensatory fees for services provided to the University. Members of the Investment Subcommittee are eligible for appointment to the Audit Committee, but no such member may serve as its Chair or Vice Chair. The University President is ineligible for service as a member, ex officio or otherwise, of the Audit Committee, as a University official and employee.

Committee members shall otherwise be subject to the Conflicts of Interest Policy in the conduct of their work.

Members of the Committee shall receive orientation appropriate to their Committee membership. They will have the goal of understanding general accounting, business and finance principles, including the ability to read and understand institutional financial statements. If possible, at least one member of the Committee will possess accounting or financial expertise.

III. Authority

The Committee is authorized to investigate any matter within the scope of its Charter, with full and direct access to all pertinent University records, personnel, independent auditors and consultants.

IV. Adoption of Charter

This Charter shall be effective as of the date of its approval by the Board. The Committee will periodically annually review the Charter and recommend to the Board revisions thereto, in view of evolving accounting standards, legal developments and experience gained.
Audit Committee Guidelines

These Guidelines serve as an operational supplement to the Audit Committee Charter. They are intended to reflect generally accepted accounting industry standards and practices applicable to non-profit corporations and higher education institutions.

The Guidelines shall be reviewed annually by management, and management shall report annually to the Committee regarding the status of the Guidelines. The Committee shall make revisions to the Guidelines as necessary or appropriate in view of evolving accounting standards and practices, legal developments and experience gained.

I. Retention of the Independent Audit Firm

a. The Committee shall annually select and retain an independent audit firm to conduct a mandatory annual audit of the financial statements attestation and/or compliance audits. In conjunction with such selection, the Committee will assess the independence and objectivity of the firm by obtaining statements from the firm on relationships between the firm and the University reviewing and assessing the letter the firm issues under Independence Standards Board Standard No. 1. The Committee will review and assess any relationships disclosed that may impact auditor objectivity and independence.

b. The Committee shall solicit requests for proposals relative to the mandatory annual audit of the financial statements attestation and/or compliance audits from qualified independent audit firms no less than once every five years.

c. In the event that an independent audit firm is retained to conduct the mandatory annual audit of the financial statements attestation and/or compliance audit for seven or more consecutive years, the Committee shall, as a condition of retention of the firm, require rotation of the lead audit partner on the University engagement.

II. Retention of Other Audit Services

a. The independent audit firm retained to conduct the mandatory annual audit of the financial statements attestation and/or compliance audits generally shall not be eligible for University engagements to perform non-audit services that would violate the U.S. Government Accountability Office Independence Standard, including bookkeeping; financial information systems design, implementation or operation; appraisal or valuation services, fairness opinions or contribution-in-kind reports; internal audit outsourcing services; management functions or human resources; broker or dealer, investment advisor, or investment banking services; legal services and expert services unrelated to the audit; or preparation of the indirect cost proposal or cost allocation plan. If, due to extenuating circumstances, and in the exercise of its reasonable discretion, management deems it to be in the best interests of the University to retain the independent audit firm for non-audit services, the proposed retention is subject to review and action by the Committee where the retention will result in fees of $10,000 or more.
b. Contracts for non-audit services with independent audit firms not already retained by the University to conduct the mandatory annual audit of the financial statements attestation and/or compliance audits are subject to review and recommendation by the Committee and subsequent Board consideration and action when such retentions will result in fees of $250,000 or more.

III. Oversight of Audits

The Committee will, no less than once annually, and otherwise periodically as necessary or desirable:

a. review annual audit plans developed by the Office of Institutional Risk Assessment and Audit Services, and receive regular progress reports relative to such plans;

b. review and approve audit plans developed in consultation with independent audit firms, including (i) the critical accounting policies and practices to be used; (ii) all alternative treatments of financial information discussed with management, ramifications of alternative treatment and the treatment preferred by the firm; (iii) other material communications between the firm and management; and (iv) required communications from the firm under Statement of Auditing Standards No. 114, as amended;

c. review and approve the mandatory annual audit of the financial statements attestation and/or compliance audit reports, including the annual audit reports on federal awards received as required by Office of Management and Budget Circulars (e.g., A-133) and the financial agreed upon procedures report of institutional National Collegiate Athletic Association programs;

d. resolve disagreements between management and the independent audit firm regarding financial reporting;

e. review the independent audit firm management letter comments regarding institutional financial internal controls, accounting policies and procedures, and management’s response to those comments;

f. review with management, the Office of Institutional Risk Assessment and Audit Services, and the independent audit firm their respective judgments about the quality of University accounting principles; the consistency, and the degree of aggressiveness or conservatism, in the application of accounting principles; the reasonableness of significant accounting judgments; and the clarity and completeness of the financial statements and related disclosures;

g. confirm with management, the Office of Institutional Risk Assessment and Audit Services and the independent audit firm respectively that the annual financial statements disclose all material off-balance sheet transactions, arrangements, obligations, and other relationships of the University with unconsolidated entities or other persons that may have a material current or future effect on institutional financial condition, and the results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses;

h. receive reports from management, the Office of Institutional Risk Assessment and Audit Services and the independent audit firm, regarding new and significant accounting standards to understand their impact on institutional financial statements;
i. receive reports from the Office of Institutional Risk Assessment and Audit Services regarding any financial fraud which, in single incident or aggregate, results in an institutional uninsured or insured loss in excess of $10,000;

j. review the organizational structure, qualifications, independence, scope of services inclusive of office charter, and adequacy of resources of the University’s Office of Institutional Risk Assessment and Audit Services;

k. annually review the appointment, evaluate the performance and set the salary of the chief internal auditor;

l. identify and document specific administrative responsibilities relevant to the routine operations of the office of chief internal auditor that are assigned to the President;

m. ensure that regular quality assessment reviews of the internal audit operations are performed in accordance with Institute of Internal Auditors (IIA) standards; and,

n. meet separately with both the internal and external auditors without management representatives present subject to the requirement of the Vermont open meeting laws.

IV. Internal Controls

The University’s executive management and the Board of Trustees Audit Committee have adopted the Committee of Sponsoring Organizations (COSO) Internal Control – Integrated Framework to help assess and enhance its internal control systems.

a. Certifications

i. The Committee will receive periodic reports from management on representations attestations it is rendering in conjunction with mandatory annual audit of the financial statements and/or compliance audits as well as significant and material debt financing, such as issuance of bonds.

ii. Without limitation on IV 4.1(i), the Committee will receive from the Vice President for Finance & Administration and University Treasurer/Chief Financial Officer record of certification along with the annual financial statement report that:

a. He/she has approved the financial statements audit report,

b. Based on his/her knowledge, the report does not contain any material errors or omissions,

c. Based on his/her knowledge, the financial statements materially present the financial condition and result of operations,

d. He/she is responsible for establishing and maintaining a system of internal controls over financial reporting, and that,

e. He/she has disclosed to the auditors and the Audit Committee all significant internal control deficiencies and changes that could materially affect financial data.
b. Policy Review.

The Committee will receive for its review and comment and, if necessary, its recommendation to the Board, institutional policies relevant to its scope of work, including conflict of interest, ethical and fraudulent conduct, whistleblower protection, and documents retention.

c. Required Disclosures and Compliance Monitoring.

The Committee shall oversee compliance with the Board Reserved Rights and Delegated Authority resolution. Violations of the Board Reserved Rights and Delegated Authority resolution identified by management or the internal audit office shall be reported to the Committee.

d. Confidential Reporting.

The committee will ensure that the University has a mechanism that permits confidential communications from employees and others regarding potential financial or accounting improprieties or nonfeasance.

V. Compliance

a. Review with the Office of Compliance Services, the effectiveness of the University’s practices related to monitoring compliance with laws and regulations;

b. Review with the Office of Compliance Services and management, the results of management’s investigation and resolution of any reported, or otherwise discovered, significant instances of noncompliance;

c. Review with the Office of Compliance Services and management, the findings of any compliance examinations by regulatory agencies and any auditor observations;

d. Review with the Office of Compliance Services, the process for communicating the code of business conduct to University personnel and for monitoring compliance therewith;

e. Receive quarterly reports from the Office of Compliance Services on its activities;

f. Receive updates from the Office of Compliance Services and management on new and emerging compliance issues, including their impact to the University; and

g. Receive as needed, through the Audit Committee Chair, compliance matters communicated directly by the Chief Compliance Office (by virtue of the dotted line relationship).

As approved by the Board of Trustee: November 13, 2004
Approved as amended by the Board of Trustees: September 8, 2007
Revised by the Audit Committee: November 12, 2007
Approved as amended by the Board of Trustees: December 1, 2007
Revised by the Audit Committee: April 28, 2009
Approved by the Board of Trustees: May 16, 2009
Revised by the Audit Committee: October 11, 2010

Comment [a1]: This was inserted to reflect Sentencing Guidelines requirements for unrestricted access.
The University of Vermont

Office of Audit Services

Audit Charter

Office of Audit Services Mission (Purpose)

The Office of Audit Services is an independent and objective assurance and consulting activity within the University of Vermont (UVM) that provides the Board of Trustees and management with observations, recommendations and advice designed to add value and improve the effectiveness of the University's risk management, control, and governance processes.

Internal Audit Function

The chief internal auditor is specifically authorized and directed to:

- Provide a program of financial, operational, information systems, compliance, and investigative audits (i.e., stemming from fraud or dishonest conduct);
- Have unlimited and unrestricted access to all UVM entities, subsidiaries and related organizations and any associated data, files, records, property, and personnel;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish the audit objectives;
- Obtain the necessary assistance of personnel in units of UVM where they perform audits, as well as other specialized services from within or outside UVM;
- Coordinate all audit activity at UVM to assure an efficient audit coverage that remains responsive to the University's needs.

The chief internal auditor is not authorized to:

- Perform any operational duties for UVM;
- Initiate or approve any accounting transactions external to internal audit;
- Direct activities of any UVM employee not employed by internal audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the chief internal auditor.

Internal Audit Operations

The chief internal auditor is responsible for:

- Maintaining a professional audit staff with sufficient knowledge, skills, and experience, and professional certifications to meet the requirements of this charter;
- Developing an annual risk-based audit plan that incorporates collaboration and consultation with the Board of Trustees, UVM's independent auditors, and management;
- Proposing an annual audit budget that is adequate to perform the scope of his or her responsibilities and to accomplish the annual risk-based audit plan.
**Audit Committee Function**

The chief internal auditor reports to and is supervised by the Audit Committee of the Board of Trustees. The Audit Committee has full authority and oversight of the internal audit function including appointment decisions, performance evaluations, salary setting and employment termination of the chief internal auditor. The Audit Committee has delegated to the President administrative oversight regarding certain specific operational activities of the internal audit function.

**Reporting**

The Office communicates to management or operating personnel in the form of written reports, consultation, or advice. Written reports include observations, recommendations for improvement, and management’s action plans to manage identified risks and to ensure that objectives are achieved. The Office also monitors, evaluates, and verifies (if appropriate) management’s responses to audit observations and recommendations. Audit Services reports regularly on the status and results of the annual audit plan and sufficiency of office resources to the Audit Committee.

**Professional Standards and Ethics**

The chief internal auditor and staff will meet or exceed the *International Standards for the Professional Practice of Internal Auditing* of the Institute of Internal Auditors.