A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Monday, April 30, 2012 at 10:00 a.m. in room 427A Waterman Building.

MEMBERS PRESENT: Chair Mark Young, Vice Chair Dale Rocheleau, Bill Botzow****, Carolyn Branagan**, Jeff Davis*, David Potter***** and Dennis Mahoney

MEMBER ABSENT: None

OTHER TRUSTEES PRESENT: None

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

REPRESENTATIVE ABSENT: Graduate Student Representative Cornell Woodson

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration Richard Cate***, Chief Internal Auditor William Harrison, Deputy Compliance and Privacy Officer Erica Heffner, Information Security Officer Dean Williams, University Controller Claire Burlingham, Senior Strategist for Enterprise Risk Management Al Turgeon, Renee Bourget-Place* of KPMG and Tanya Morehouse* of the State Auditor’s Office

* Participated via teleconference
** Participated via teleconference from 10:07 a.m. to 10:35 a.m.
*** Joined the meeting at 10:18 a.m.
**** Participated via teleconference from 11:03 a.m. to 11:20 a.m.
***** Joined via teleconference call at 11:09 a.m.

Chair Mark Young called the meeting to order at 10:00 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the February 2, 2012, meeting minutes.

Chief Internal Auditor Update

Chief Internal Auditor William Harrison began by providing the Committee with an update on the Office of Audit Services (OAS) staffing recognizing Senior Auditor Kyle Sowles for completing his certification to become a Certified Fraud Examiner (CFE).
Next, he provided a brief summary of the twelve reports listed in his written status report provided in advance to the Committee. The OAS has issued three reports since the February Audit Committee meeting.

Mr. Harrison moved on to update the Committee on the results of the Subrecipient Monitoring Report. Recommendations included Management updating its written subaward contracting procedures to ensure higher-risk subaward contract documents are subject to more comprehensive documented reviews and to a more robust approval process. In addition, it was recommended that Management modify its procedures regarding audit notification requirements, risk-based monitoring, managing risk relative to foreign subawards and other matters.

Prompted by questions from Chair Young and Vice Chair Rocheleau, there was a discussion concerning the risk to UVM of subrecipient noncompliance.

Continuing on, Mr. Harrison reviewed the OAS Information Technology (IT) Control Self-Assessment questionnaire. In an effort to increase the University’s awareness of IT controls the OAS, in collaboration with the Information Security Officer, developed a general IT control self-assessment questionnaire. A distribution list is currently being developed.

Mr. Harrison concluded his presentation by, briefly, reviewing audit follow-up noting that the Morgan Horse Farm, UVM Extension, and Vermont Genetics Network internal audit reports have been closed. Mr. Harrison also updated the Committee on the status of the payment card industry data security standards (PCI DSS) and Temporary Employee audit reports.

Mr. Harrison provided Chair Young with clarification on his report closure terminology and timelines for management’s actions. Mr. Harrison noted that resolution occurs when Management and Audit Services have agreed on an action plan to address any report recommendations and closure occurs when Audit Services has verified that Management has completed its proposed corrective actions. The timeline for Audit Services follow-up activity is based on Management’s proposed timeline.

**Chief Compliance and Privacy Officer Update**

Deputy Compliance Officer, Erica Heffner, provided an update on the activities conducted by the Office of Compliance Service since the February Audit Committee Meeting. She began with an overview of supplemental work to the FY 2012 Work Plan that included an assessment of compliance training provided by the University. The purpose of the endeavor was to assess existing training against requirements for potential gap areas and to assess how training is delivered from an institutional perspective. A number of programmatic and institutional observations and recommendations were identified and summarized in the Office’s Regulatory Compliance Education Assessment. The President’s Senior Leadership team addressed this report at its April 17, 2012 meeting, attended by the Chief Compliance Officer and Deputy Compliance Officer. At
the conclusion of the group’s discussion, Interim President Bramley indicated that he intends to charge a subset of the senior staff responsible for compliance-intensive programs to develop training implementation plans.

Ms. Heffner moved on to discuss the FY 2012 Compliance Work Plan. She noted that the Office had previously reported on the Department of Education’s Program Integrity Rules and will to continue to work with management on the provisions of those rules that have an effective date of 7/1/2012 or later as well as other areas identified as requiring follow-up.

Continuing on with her summary of the FY 2012 work plan, Ms. Heffner provided an update on the Office of Compliance Services’ new conflict of interest rule. The Office continues its work with the Sponsored Project Administration Office on a compliance plan and timeline to meet the new the HHS requirements. The Compliance Office will report back in the fall.

Next, Ms. Heffner noted the Office has begun work on development of the FY 2013 Compliance Work Plan. The Chief Compliance Officer will present the final Work Plan at the July Audit Committee Meeting.

Ms. Heffner continued on to report that the Office has met with Audit Services and will be working with Sponsored Program Administration in regard to compliance observations that were identified in the Subrecipient Monitoring Audit Report.

The Office of Compliance Services continues to provide compliance and privacy consultations upon request or in response to new regulatory requirements. The Office has performed thirty-two distinct compliance and privacy consultations for the period January 7th, 2012 through April 12th, 2012, bringing the cumulative total to over 180 consultations. A chart showing the distribution of these consults by compliance category was provided to the committee. The Office has also participated in several outreach activities across campus.

Next, Ms. Heffner provided an update on the Ethics and Compliance Reporting Help Line. There have been three new reports since the February meeting with a total of twenty-three reports made to date, sixteen of which have been closed. Three of the outstanding reports have been referred to Audit Services, one has been referred to both the Affirmative Action Office and Human Resources, and the remaining reports have been referred to management.

Additionally, the Office is working with the Chief Internal Auditor, General Counsel, and the Vice President for Executive Operations to review and fine-tune the Ethics and Compliance Reporting Help Line protocols and processes in order to, amongst other things, provide greater clarity in the referral process. When completed, a revised protocol will be shared with the Presidents Senior Leadership group and the Audit Committee.
The Office also provides advice and outreach on privacy issues and application of the Privacy policy. Ms. Heffner reported on specific work that the Office had performed in this area as well as noting that the Office has noticed an increase in the number of privacy consults. Since the February Audit Committee meeting, the Office has responded to four data security incidents in accordance with the Data Breach Notification policy.

Ms. Heffner continued on to report that in accordance with the new Annual Policy Process the list of policies to be reviewed or developed for the 2012-2013 academic year has been shared with University governance groups, and the Office will distribute the final list to Responsible Officials by July 1, 2012.

In conclusion, Ms. Heffner addressed the area of communications. The Office has enhanced its website by adding testimonials from a diverse group of individuals across campus. This effort is intended to help promote the Office as a safe place for individuals to turn to when seeking assistance or guidance on compliance or privacy matters. In addition, the National Institutes of Health (NIH) produced video explaining the “dual use” concept for export controls compliance in research activities has been added to the site. The Office is accumulating a library of multi-media compliance resources for issues that may be difficult to understand, higher risk or newly emerging.

Chair Young thanked Ms. Heffner for the update and specifically noted the work performed in the area of compliance training.

**Information Security Officer Update**

Information Security Officer Dean Williams provided a summary of his Office’s work since the last Audit Committee meeting. Referring to his written report provided in advance to the Committee, he reviewed his teams work in the areas of PCI DSS, information security education, and ongoing work including support for investigations while also addressing the protection of University information in a variety of academic, research, clinical, and administrative endeavors. He also presented new information technology concerns and areas his team will be addressing.

Mr. Williams noted merchants are considering utilizing third party vendors in response to Vice Chair Rocheleau’s inquiry about the changes merchants are considering in their business practices that would eliminate their need to use the secure network.

Faculty Representative Albert Joy inquired about digital preservation of research documents. A brief discussion followed and Mr. Williams determined he would ask for this topic to be included on the agenda of the Institutional Review Board (IRB) subcommittee.

In conclusion, Mr. Williams provided an update on the status of the Information Security Engineer position informing the Committee interviews were being conducted this week.
The Committee was presented Mr. Harrison’s FY 2013 draft Internal Audit Plan and Budget. He briefly reviewed the considerations and risk assessment methodology used to develop the risk-based plan as well as the Office’s available resources and staffing. The OAS has a proposed operating budget of $647,635. Ninety-six percent of the budget is dedicated to staff salaries and fringe benefits while four percent is devoted to materials, supplies, equipment, travel and professional development.

Next, he reviewed the status of planned audits from the FY2012 Internal Audit Plan and new proposed audits included in the FY 2013 plan. Of the audits proposed in FY 2012, six were completed, three are in process, and three will carry forward into FY 2013. In addition, ten planned audits are included in the FY 2013 plan.

Prompted by a question from Representative Joy, there was a brief discussion concerning the scope of the Office’s planned Inventory and Monitoring of Portable Devices audit.

Vice Chair Rocheleau inquired into how many audits on the plan were requested through the Enterprise Risk Management’s (ERM) process. Mr. Harrison commented that the selection of planned audits was based in part on his review of the University’s ERM preliminary risk inventory with consideration given to how internal audit can add value to a process or activity based on the identified management risk or opportunity.

Finally, Mr. Harrison noted that the audit plan is a living document that could change at any moment based on a changing risk environment.

**Laboratory Safety**

Vice President Cate began by referring to his summary of laboratory safety issues and responses. The summary included issues raised by the Chief Compliance Officer, results of a 2012 Department of Environmental Conservation (DEC) inspection as well as audits and ongoing reviews by Risk Management’s staff. He noted that the DEC inspection resulted in the University paying a fine.

The Provost has designated Mr. Cate as the Responsible Official for Laboratory Safety. In this role, he is working to unite the academic and administrative components of laboratory safety. Work in this area includes ongoing reviews, training, and facility issues.

Mr. Cate clarified for Chair Young that a heating, ventilation, and air condition (HVAC) mechanic solely devoted to laboratory safety will begin work July 1, 2012.

**Enterprise Risk Management (ERM) Update**

Senior Strategist for Enterprise Risk and Planning, Al Turgeon, provided the Committee with a brief summary of ERM activities since the last Audit Committee meeting in
February. He noted that UVM’s first Preliminary Risk Inventory was complete and that it is currently under review by senior management.

Additionally, he offered a preliminary schedule of ERM work planned through February 2013. He noted that the risk portfolio will be presented to the Audit Committee in November and to the Committee of the Whole at their February meeting.

Chair Young thanked Mr. Turgeon for the target dates in his report.

**Travel and Expense Report Recommendations**

Controller Burlingham provided the Committee with an update on the status of the Travel and Expense Report recommendations. Two issues remain outstanding; travel training and invoice approval for Sodexo catered events.

She also updated the Committee on modifications to University purchasing cards. As of March 1, 2012, monthly spending limits on most cards had been reduced to $10,000. Approximately 260 cards with no activity over the past twelve months have been closed. Additionally, Mellon Bank’s new software allows for the selection of specific merchant codes that can be applied to individual cards. To provide further protection, the University’s monthly sending limit has been set at six million dollars.

Addressing Mr. Harrison’s inquiry concerning the employee-liability travel credit card recommendation, Ms. Burlingham noted Grant Thornton has been contracted to review the University’s purchasing card program. They will be on campus in August to conduct their review.

Ms. Burlingham also addressed questions from Chair Young and Vice Chair Rocheleau noting the number of purchasing cards on campus had been reduced to approximately 1,640 and that each card has a two-year limit. Cardholders must complete a required training to renew their cards.

**FY 2013 Audit Committee Work Plan**

Chair Young led the Committee through a brief discussion of the proposed FY 2013 Audit Committee Work Plan. Chair Young and Mr. Harrison will discuss the potential of moving the November 2012 Audit Committee meeting so that it coincides with the Full Board meeting scheduled for November 7th and 8th.

**Other Business**

At 11:37 a.m., a motion was made, seconded and approved to go into executive session for the purpose of discussing civil actions and the evaluation of public officers or employees. All in attendance were excused from the meeting, with the exception of Trustees, Chief Internal Auditor William Harrison, Deputy Compliance and Privacy Officer Erica Heffner and Tanya Morehouse of the State Auditor’s Office.
Deputy Compliance and Privacy Officer Erica Heffner was excused from the meeting following the first executive agenda item.

**Adjournment**

The meeting was re-opened to the public at 12:07 p.m. There being no further business, the meeting was adjourned.

Respectfully submitted,

Mark Young, Chair