A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Monday, July 9, 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

REPRESENTATIVES PRESENT: Faculty Representative Albert Joy and Staff Representative Marie Tiemann

REPRESENTATIVE ABSENT: Alumni Representative Bill Cimonetti, Graduate Student Representative Cornell Woodson and Student Representative Chris Juaire

PERSONS ALSO PARTICIPATING: Vice President for Finance and Administration Richard Cate, Vice President for Legal Affairs Francine Bazluke, Chief Internal Auditor William Harrison, Chief Compliance and Privacy Officer Anna Drummond, Information Security Officer Dean Williams, Renee Bourget-Place of KPMG*, Associate Vice President for Research Administration Ruth Farrell, Co-Director Sponsored Project Administration Jennifer Gagnon and Tanya Morehouse of the State Auditor’s Office

* Participated via teleconference
** Joined via teleconference call at 10:54 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 April 30, 2012, meeting minutes.

Chief Internal Auditor Update

Chief Internal Auditor (CIA) William Harrison began by referring to his written status report noting since the April Audit Committee meeting, the Office of Audit Services (OAS) has issued four reports. These reports include the Presidential Search Committee Expenses, an Audit of Departmental Expenses, the General Information Technology (IT) Control Self-Assessment Questionnaire, and an EthicsPoint report.

Mr. Harrison opened the floor to questions from Committee members. At the request of Representative Joy, he explained his Office’s regular communication and three stage reporting process when conducting an audit. In answering Trustee Botzow’s questions
concerning the Audit Quality Survey, Mr. Harrison reported after one year of tracking responses, the numbers have remained steady and he has not noticed any trends. He went on to explain how the OAS uses the data as part of their quality assurance process. Trustee Botzow commented on the helpfulness of the survey.

Prompted by questions from Vice Chair Rocheleau regarding the status of audit report recommendations, Mr. Harrison provided the Committee with updates on the status of the Payment Card Industry Data Security Standards (PCI DSS), Temporary Employees, and Vermont Genetics Network reports. Mr. Harrison noted that Information Security Officer (ISO) Dean Williams has been regularly updating the Committee regarding the status and timing of management’s PCI DSS corrective action plan.

A conversation followed concerning audit follow-up and closing audits. Ms. Bourget-Place commented that in other organizations she has worked with, corrective actions that have exceeded management’s initial agreed upon timeline are flagged and reported to the Audit Committee. Vice President Cate added for various reasons, such as those reports with recommendations that affect multiple organizational units, some corrective actions take longer to implement. Trustee Botzow noted that he was looking for a clearer picture as to how close audits were to closure.

In response to Chair Young’s questions, Mr. Harrison provided clarification about the rare instance where management did not agree with a recommendation. According to the professional standard the OAS follows, management would be asked if they accept the risk of not implementing the recommendation. The acceptance of risk not to implement a corrective action on significant findings would be reported to the Audit Committee and considered complete in the audit follow-up tracking process. Mr. Cate commented that on occasion, management might offer alternative solutions for corrective actions.

Mr. Harrison concluded his presentation by addressing Chair Young’s question about the Information Technology (IT) Control Self-Assessment questionnaire response rate of 52%. The survey population was informed in advance about the questionnaire’s contents and timing. Additionally, several reminders were sent to those who had not completed the questionnaire. Mr. Cate noted that a 52% response rate for a survey, in general, was very good. Mr. Harrison said that OAS will be working with Chief Information Officer David Todd and Information Security Officer Dean Williams to follow up with all units, whether they completed the survey or not.

**Chief Compliance and Privacy Officer Update**

Chief Compliance Officer, Anna Drummond, began with an update on the FY 2012 Compliance Work Plan in the area concerning the Department of Education’s 2011 Dear Colleague Letter (the DCL). In April of 2011, the Department of Education published guidance clarifying that sexual violence is a form of sexual harassment that is prohibited as a form of discrimination under Title IX of the Education Amendments of 1972. The guidance describes additional institutional obligations for ensuring compliance with the
application of Title IX to incidents of sexual violence and, ultimately, to prevent this form of discrimination.

During the summer of 2011, the Office, with the assistance of a legal intern, assessed the University's policies and practices against the requirements. This involved a review of eight major policies and myriad related processes regarding discrimination, harassment and sexual assault. The Office shared the assessment and resulting recommendations with the Chief Diversity Officer, the Director of Affirmative Action and Equal Opportunity (AA/EQ), and the Office of General Counsel. The Compliance assessment included a number of recommendations including: identifying the Title IX Coordinator, providing consistent definitions of sexual violence, ensuring incidents are evaluated for violations of the University’s sexual harassment policies and other requirements of the DCL. Management has made significant progress in addressing the recommendations including enhancing the role of the AA/EQ Office in responding to these incidents and amending policies. Additionally, the AA/EQ Office is in the process of hiring an investigator with additional skills and experience. Furthermore, the AA/EQ Office is taking the opportunity to holistically evaluate current policies and procedures. This extensive effort is being led by the Director of the Office of AA/EQ, Jes Kraus, and requires significant cross-functional collaboration with the Division of Student and Campus Life, Police Services, and General Counsel. The next phase of this work is expected to be completed over the next year.

Ms. Drummond clarified for Chair Young that Jes Kraus is the Title IX Coordinator. Additionally, Mr. Kraus is now identified as such in University policies. He is now also getting reports of sexual violence so that he can investigate them as sexual harassment.

Ms. Drummond reported that the position of an AA/EQ investigator was being recruited and the Deputy Compliance and Privacy Officer, Erica Heffner, who is on the hiring committee for this position, informed the Committee that the hiring process for the AA/EQ investigator position is well underway.

Ms. Drummond, in responding to a question from Trustee Botzow, noted that the Title IX provisions, as elaborated upon in the Department of Education Dear Colleague Letter, apply to a wide-variety of parties and circumstances, including, in some cases, behavior occurring off-campus.

Next, Ms. Drummond presented the FY 2013 Compliance Work Plan. It will address research issues and international education/immigration issues as well as three multi-year projects that are being carried forward from the prior year: (a) Privacy, Information Security and Records Retention, (b) Export Controls, (c) Research Financial Conflict of Interest. Due to the size of the Privacy, Information Security and Records Retention project and the face-paced change of both technology and regulatory initiatives in this area, that project is expected to remain on the Work Plan for several years.

The steps taken in creating the Compliance Risk Assessment and Compliance Work Plan were detailed in a written report provided to the Committee, and included: interviews and
consultation with campus stakeholders; the Enterprise Risk Management (ERM) risk inventory; reviews of internal and external audit reports; identification of issues and trends experienced through compliance consultations, Reporting Line activity and Government Reviews; review of other university work plans and discussions with other Compliance Officers; review of professional higher education organization publications, a review of federal agency OIG work plans, and analyzing the compliance risks identified in accordance with a modified COSO (Committee of Sponsoring Organizations of the Treadway Commission) framework to prioritize risk.

Trustee Botzow observed that the Work Plan had been reviewed and approved by the Provost. When asked, Ms. Drummond noted that there were no disagreements, changes or adjustments to the Work Plan resulting from her discussions with Provost Jane Knodell.

Vice Chair Rocheleau praised Ms. Drummond’s process for creating her work plan.

As part of the process involving the compliance role in following up on compliance issues raised by the chief internal auditor, Ms. Drummond reported that her Office is meeting monthly with Sponsored Program Administration to address compliance observations that were identified in the Subrecipient Monitoring Audit Report.

With respect to the Education and Training Initiative that the Compliance Office reported upon at the last meeting, Ms. Drummond reported Vice President for Executive Operations (VPEO) Gary Derr convened, at the direction of Interim President John Bramley, a meeting of Vice President for Research Domenico Grasso, Chief Diversity Officer Wanda Heading-Grant, VP Cate, and Provost Knodell with VP Bazlueke, CIA Harrison and CCO Drummond serving as advisors in order to begin to address the issues raised by the Compliance Office report.

With respect to consultations, 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 ten distinct compliance and privacy consultations or outreach activities for the period April 13th, 2012 through May 31st, 2012. This brings the cumulative total to 190 independent consults. Tracking of these consultations assists the Office in identifying compliance trends and University needs, which informs the work plan.

The Chief Compliance Officer has participated in responding to twenty-three Government Reviews during the period April 1, 2010 through April 30, 2012. Most of the government reviews are from the federal government and predominantly in the areas of employment/discrimination and research.

Next, Ms. Drummond provided an update on the Ethics and Compliance Reporting Help Line. One new report has been received since the April Audit Committee meeting with a total of twenty-four reports made to date, seventeen of which have been closed. Five 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 report has been referred to management.

Ms. Drummond next reported on the Office’s FY 2013 work plan efforts to date in the area of Privacy, Information Security, and Data Retention. The focus has been on three items: (1) revising the University’s Data Breach Notification Policy and the Privacy Policy to ensure compliance with the recent revisions to Vermont law regarding protection of personal information that include notifications of breaches to the Vermont Attorney General’s Office and shortened timelines, (2) working with the Chief Information Officer (CIO), and Information Security Officer (ISO) to follow up and analyze data collected last year regarding the identification of private and/or sensitive University information and its utilization, and (3) working on records retention and related policy development which included meeting with the Admissions Office Leadership team regarding these issues. Ms. Drummond will be reporting on her Office’s updates to the Records Retention policy at a future meeting.

With respect to Data Breach incidents, the Office receives reports of data security incidents. In evaluations these incidents, the Office works with the ISO, Office of General Counsel, and other University departments to determine whether a data breach occurred and to ensure that the appropriate University response is taken. Since the April Audit Committee meeting, the Office has responded to three data security incidents in accordance with the Data Breach Notification policy.

With respect to its work on the Policy Project, the Office in a joint effort with the Vice President for Executive Operations has communicated the final list of University Policies and University Operating Procedures to be reviewed or develop for the upcoming year to Responsible Officials. The policy review process followed this year reflects the new policy on policies and process approved in December 2011.

Continuing on, Ms. Drummond addressed the area of communications. She noted that the number of visits to the Compliance and Privacy Services website has increased 20% over the prior twelve-month period.

At Chair Young’s request, Ms. Drummond concluded her presentation by providing a report to the Committee about the background and history of the Ethics and Compliance Reporting and Help Line (Reporting Line). She described the role of a Reporting Line in meeting the elements set forth in the Federal Sentencing Guidelines for effective ethics and compliance programs, and the role of an independent anonymous reporting line in meeting best practices and the expectations of auditors, regulators and rating agencies. The Office has worked with the CIA, the Office of General Counsel, and the VPEO to review and amend the Ethics and Compliance Reporting Help Line protocols and processes based on the experience garnered over the past two years. The revised protocol, included as an attachment to the Office’s report to the committee, provides greater clarity in the referral process, strengthens the provisions for conflicts of interest screening and non-retaliation, and more clearly defines the closeout process for reports.
Chair Young also asked Vice President for Legal Affairs and General Counsel, Fran Bazluke, to comment on the Help Line process since the VPEO, the VP Legal Affairs and General Counsel, the CCO and the CIA all participated in making the changes. Ms. Bazluke elaborated further on the amendments and noted that there is a plan for a more comprehensive University policy addressing retaliation.

Ms. Drummond confirmed for Chair Young that the number of reports to the Compliance Reporting Line is, to her knowledge, in line with peer intuitions and that, to some degree, the data concerning the number of reports should be viewed in tandem with data surrounding the number of compliance consults requested.

Additionally, Ms. Drummond clarified for Trustee Botzow that reports to the Reporting Line are anonymous, unless the reporter self-identifies. When asked, Ms. Drummond reported that there have been approximately two reports that included issues alleging retaliation. Ms. Bazluke noted that in the Campus Climate Survey people overwhelming reported concerns about retaliation.

**Information Security Officer Update**

Information Security Officer (ISO) 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 began with an update in the area of Payment Card Industry Data Security Standards (PCI DSS). The ISO team is building a separate Actively Secured Private Network (ASPN) to transmit cardholder data and is helping UVM merchants transition to this network. The Bookstore anticipates having all of its computers moved into ASPN this summer. Additionally, this summer, the ISO team will work with the CatCard Office and their system vendor to bring their replacement servers into the ASPN. The ISO team is also working with Conference and Events Services as well as Print and Mail. Mr. Williams reported that his team is on track with the overall timeline of having certain merchants moved into ASPN by October despite complications. Mr. Williams also noted that PCI DSS compliance is a moving target and therefore the work will never fully be complete. He also commented on the continued expenses incurred by University of Vermont merchants to meet changing more restrictive standards.

Mr. Williams moved on to update the Committee on the Privacy, Information Security, and Data Retention Workgroup. In January 2011, Chief Compliance and Privacy Officer Anna Drummond and Chief Information Officer David Todd held a series of workshops facilitated by consultants from ALTRAN Control Solutions to survey private or sensitive information currently stored on campus. Seventy-three participants from 56 departments participated in the workshops and completed forms describing 298 electronic or hard-copy documents containing a wide range of data including names and social security numbers. Participants also determined the likelihood of exposure and the impact of any exposure of each document and assessed the priority for remediating any associated risk. A quarter of the data was listed as medium to high risk while it was felt that the remaining data was well protected. Additionally, it was determined that documents given
high remediation priority included three broad areas; personally identifiable information of all types, medical and health information and financial information.

The Chief Compliance and Privacy Officer, Chief Information Officer, Information Security Officer, and Deputy Compliance and Privacy Officer are now working to identify documents with the highest potential liability and the units responsible for multiple types of data that may need greater protection. Their goal is to follow up with those units to confirm findings, to learn of remediation steps already taken, and to help them further reduce risks. Due to the educational component of the workshops, Mr. Williams believes many participants gained the knowledge necessary to begin implementing changes and have done so already.

In response to Trustee Botzow’s question about the research area of the University and the natural tension that exists between the retention and destruction of research documents, Mr. Williams noted there have been policy provisions in both the Privacy and Information Security policies addressing issues found in the workshops. Furthermore, the draft Guidance on Data Management in Human Subject Research, being developed by a subcommittee of the Committees on Human Research, led by Nancy Stalnaker of the Research Protections Office, covers many research data protection issues. It will provide a framework for Institutional Review Board assessment and approval of data management plans. Ms. Drummond and Mr. Williams have served as consultants to the subcommittee. Ms. Drummond commented on the amount of work that had been done in the area to address the changes in law and new technology as well as new policies.

Next, Mr. Williams provided a brief summary of consultations and support work provided to business-office key projects. Enterprise Technology Services and the ISO team have worked in collaboration with the Office of General Counsel, the Center for Student Ethics and Standards (CSES) and the Office of Affirmative Action and Equal Opportunity (AA/EO) to develop contract language for two new information systems that will be hosted externally. Furthermore, a similar process is in the early stages for an externally hosted system that would help students with foreign language homework.

Mr. Williams responded to Chair Young's question concerning the parties involved in making the decision for AA/EO to contract off campus. He explained that contracting for an externally hosted information system requires approval from: the executive responsible for the department that will use and manage the system; the data stewards responsible for the category or categories of information held in the system; the Office of the General Counsel; the Vice President for Finance and Administration; the Controller, the Chief Information Office; and the Information Security Officer. Board of Trustees review and approval may be required, depending on the cost of the proposed system. Section 8 of the Information Security Procedures covers required approvals related to information security, and an appendix to the Procedures gives sample contract language. The Procedures also list data stewards for various categories of University information.
In conclusion, Mr. Williams provided an update on the status of the Information Security Engineer position informing the Committee an offer had been made to an exceptional candidate. Mr. Williams is confident the position would be filled shortly.

**FY 2012 Financial Statement/A-133 Audit Status Report**

Ms. Bourget-Place of KPMG provided a brief status report on the FY 2012 financial statement and OMB Circular A-133 audits. KPMG has completed their planning, interim testing and control work. Additionally, ninety percent of the work on the A-133 audit is complete, which includes the Research and Development and the Smith Lever clusters. At this time, there are no significant findings or internal control weaknesses to report. Finally, KPMG is in agreement with management on year-end timing.

**Moody’s Outlook Report**

Vice President Cate provided the Committee with a brief report on Moody’s recent improvement in the University’s financial outlook. The University’s outlook has been changed from negative to stable. This was noted in the University's recent bond issuance. Mr. Cate explained, in response to Trustee Branagan’s question about the impact of this change, that the University could expect slightly lower interest rates. However, the largest effect is reputational. Vice Chair Rocheleau also commented that this was a good indicator for bond ratings.

There was discussion about the change in outlook for the University and the sector. Ms. Bourget-Place confirmed that the University is performing better than the sector. Mr. Cate will send Vice Chair Rocheleau a copy of the Moody's report.

**Chief Financial Officer Update**

Mr. Cate began by noting that the University's property insurance provider, FM Global, awarded the University its "Significant Improvement Award" for the main campus in May 2012. The award recognizes the commitment by the entire campus, and especially the departments of Risk Management & Safety and Physical Plant, for their loss prevention practices. Vice President Cate thanked the Director of Risk Management & Safety Mary Dewey and the Director of Physical Plant Salvatore Chiarelli, who were both in attendance at the meeting, for their hard work and significant accomplishments in minimizing risk throughout the University. At that time, Trustee Branagan recommended that the Committee formally recognize the award, and they too offered their congratulations to Ms. Dewey and Mr. Chiarelli and thanked them for their efforts.

In response to Trustee Botzow's question about the monitory outcome of receiving such an award, Mr. Cate noted lower insurance premiums.

Finally, Mr. Cate provided an update on the heating, ventilation, and air condition (HVAC) mechanic solely devoted to laboratory safety. Mr. Cate reported that the position has been posted.
Summary Report of Presidential Expense Reimbursements

Vice President Cate began by referring to his summary of FY 2012 Presidential Expense Reimbursements. The total expenses for Interim President John Bramley July 1, 2011 to June 20, 2012 were $11,595.30. Pre and Post appointment expenses for Thomas Sullivan totaled $9,677.59 for the period February 23, 2012 to June 21, 2012. Mr. Cate verified that all the expenses were appropriate and consistent with University policies.

Providing clarification to Chair Young, Mr. Cate concluded his presentation by explaining that it was his responsibility to report to the Committee on Presidential expense reimbursements at the end of each fiscal year.

Subrecipient Monitoring Process

Associate Vice President for Research Administration Ruth Farrell provided the Committee with an overview of sub-awards on sponsored projects in response to Mr. Harrison's Subrecipient Monitoring Audit report. Most of the University’s externally funded research is funded through grant agreements through the Federal Government. Many of these externally funded research projects involve collaborations with other institutions that are referred to as sub-awardees, subrecipients or sub-grantees. Grant funds are re-funded to collaborators who help carry out a research project. When creating these agreements the Sponsored Project Administration Office uses templates created by the Federal Demonstration Partnership (FDP), an organization who has developed processes for streamlining administrative requirements while ensuring compliance.

Ms. Farrell moved on to explain the Sponsored Project Administration’s sub-award process beginning with the proposal process and ending with the project close out. Jennifer Gagnon, Co-Director Sponsored Project Administration, provided an overview of the sub-award risk assessment and monitoring process.

Chair Young and Trustee Botzow thanked Ms. Farrell and Ms. Gagnon for their explanation.

Other Business

At 11:42 a.m., a motion was made, seconded and approved to go into executive session for the purpose of discussing a personnel matter, civil actions, the evaluation of public officers or employees, and to receive the advice of legal counsel. For the first item all in attendance were excused from the meeting with the exception of Trustees, Vice President Richard Cate, Chief Internal Auditor William Harrison, Chief Compliance and Privacy Officer Anna Drummond and Tanya Morehouse of the State Auditor’s Office. For the second and third items, Vice President Cate and Chief Internal Auditor Harrison were excused from the meeting. For the fourth item, Vice President and General Counsel Francine Bazlule and Chief Internal Auditor William Harrison joined the meeting and Chief Compliance and Privacy Officer Anna Drummond was excused.
Adjournment

The meeting was re-opened to the public at 12:40 p.m. A discussion was had regarding rescheduling the current November Audit Committee date of Monday, November, 12 from 10:00 a.m.-12:00 p.m. to Thursday, November 8 from 1:00-3:00 p.m., following the Full Board meeting.

Respectfully submitted,

Mark Young, Chair