A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Monday, September 9, 2013 at 10:00 a.m. in room 427A Waterman Building.

MEMBERS PRESENT: Chair Mark Young, Vice Chair Dale Rocheleau**, Carolyn Branagan, David Potter*, Raj Thakrar, and Jeff Wilson*

MEMBERS ABSENT: Christopher Bray

REPRESENTATIVES PRESENT: Faculty Representative Albert Joy, Staff Representative Wendy Coy***, Student Representative Joshua Barry, Graduate Student Representative Jason Fuchs, and Tanya Morehouse of the State Auditor’s Office

REPRESENTATIVES ABSENT: Alumni Representative Bill Cimonetti and Douglas Hoffer of the State Auditor’s Office

PERSONS ALSO PARTICIPATING: President Tom Sullivan, Vice President for Finance and Treasurer Richard Cate, Chief Internal Auditor William Harrison, Chief Compliance and Privacy Officer Anna Drummond, Information Security Officer Dean Williams, University Controller Claire Burlingham, Chief Risk Officer Al Turgeon, Vice President for Legal Affairs and General Counsel Francine Bazluke, and Renee Bourget-Place and Sara Timmerman of KPMG

* Participated via teleconference call
** Joined the meeting at 10:15 a.m.
*** Departed the meeting at 10:45 a.m.

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

Approval of Minutes

A motion was made, seconded and voted to approve the July 8, 2013, meeting minutes.

Chief Internal Auditor Update

Chief Internal Auditor William Harrison provided a brief summary of the audits listed in his written status report. The Office of Audit Services (OAS) has completed three reports in FY 2014.

Mr. Harrison introduced Kim Dessormeau as the newest member of the OAS Team. She comes to the University with 20 years of experience at TD Bank. Chair Young led the Committee in welcoming to her to UVM.
Mr. Harrison noted a proposed change to the FY 2014 Audit Committee Workplan. Beginning with the November Audit Committee meeting, the Chief Internal Auditor, Chief Compliance and Privacy Officer, and Information Security Officer will offer updates at alternate meetings to provide more time for detailed presentations on strategic risks and other topics. The Chief Compliance and Privacy Officer will present at the November and April meetings while the Chief Internal Auditor and Information Security Officer will provide updates at the February and September meetings.

Chair Young commented that he and Mr. Harrison had discussed the proposed change and that he agreed with it.

Representative Tanya Morehouse of the State Auditor’s Office asked if the Chief Internal Auditor, Chief Compliance and Privacy Officer, and Information Security Officer would spend more time reviewing report results or if specific topics would be covered. Mr. Harrison responded that the goal was to review topics relevant to strategic risks within the Enterprise Risk Management (ERM) program or up and coming risks in higher education that would fall under the Committees’ responsibilities. Mr. Harrison also confirmed for Chair Young that any off cycle audit or compliance issues or concerns would be brought to the Committee’s attention.

**Chief Compliance and Privacy Officer Update**

Chief Compliance and Privacy Officer Anna Drummond began her report with a summary of three FY 2014 Work Plan efforts. First, in the area of Export Controls regulations, the Compliance Office has conducted a peer analysis of approximately 50 export control programs of similarly situated institutions and created a cross-functional working group. Export Controls touches on a number of different parts of the University including Print and Mail, Enterprise Technology Services (ETS), the Controller’s Office, and Sponsored Project Administration, among others. The working group is reviewing the peer analysis, and has begun addressing restrictive party screening and international travel.

Next, Ms. Drummond explained the new Health Insurance Portability and Accountability Act (HIPAA) Omnibus rules that come into effect September 23, 2013. The new rules include additional obligations for UVM’s HIPAA covered components as well as increased responsibilities for University units that are acting as Business Associates for external HIPAA covered entities. The Office has drafted a compliance matrix identifying the new requirements and is working with impacted departments toward meeting and documenting compliance.

Responding to Chair Young’s question about meeting the September 23, 2013 deadline, Ms. Drummond noted progress was being made to meet the deadline and her Office has been speaking with individuals to ensure their understanding of the new rules and timeframes.
The final area of the Work Plan Ms. Drummond discussed was the Affordable Care Act (ACA). The Office is working with two University committees that are addressing ACA compliance. The Compliance Office has created a matrix and timeline for the Human Resources group. The second group led by the Provost’s Office is focused on applying the ACA to part-time faculty.

Next, Ms. Drummond offered the Committee a summary of compliance work prompted by the results of internal audits. She reported that her Office continues follow up with Sponsored Program Administration (SPA) on compliance issues raised in the Subrecipient Monitoring Audit Report #12-010 and SPA is on track. Additionally, to address the privacy observation noted in Audit Report #13-006M, the Office has met with the Director of the Center for Health and Wellbeing (CHWB) to review the results of the external assessment performed by CynergisTek. The Office is assisting CHWB in prioritizing the issues identified in this report.

Moving on, Ms. Drummond reviewed data collection. Compliance and Privacy Services continues to provide and track consultations by subject matter in order to help the University identify compliance trends and needs. For the period June 13, 2013 through August 15, 2013, the Office of Compliance Services has performed eight distinct compliance and privacy consultations. This brings the cumulative total to 265 independent consults. Ms. Drummond went on to provide the Committee with an update on the Ethics and Compliance Reporting and Help Line. There have been a total of forty-four reports made to date, thirty-six of which have been closed. The Office continues its work in the area of privacy, data security and records retention. Since Ms. Drummond’s report to the Committee in July, the Office has responded to seven privacy incidents. The Breach Notification Policy, covering both breaches as well as incidents that do not rise to the level of a breach, was followed. Ms. Drummond also explained the work her Office performs to prevent future incidences.

Ms. Drummond completed her presentation with a summary of the FAQ drafted to enhance the effectiveness of the Ethics and Compliance Reporting and Help Line (Help Line). The FAQ is intended enhance trust by communicating how the Help Line works and to try to counteract the concern identified through past Compliance surveys regarding retaliation. Ms. Drummond added that the Compliance Survey, currently being distributed to all UVM employees, includes links to the Help Line FAQ as well as President Sullivan’s message to the University about the importance of ethics and compliance and the Compliance Services Office.

Responding to a question from Chair Young on the ACA, Ms. Drummond explained that working 30 hours per week is considered “full-time” for purposes of the ACA and employers must offer health care coverage to such employees to avoid penalties. The University has many different types of employees including temporary, seasonal, and academic employees. The University has to determine how to calculate the hours for all of its employees and what it will do to ensure they are treated fairly and equitably and in accordance with the law. She noted that this is an issue that all higher education institutions are facing.
Information Security Officer Update

Information Security Officer (ISO) Dean Williams offered the Committee updates on Secure Ideas, LLC’s vulnerability assessment and penetration testing and the University’s compliance with Payment Card Industry Data Security Standards (PCI DSS) requirements.

Secure Ideas, LLC delivered their final report. It contained no additional observations or recommendations beyond those discussed in the preliminary report. The ISO Team will apply insights from their post-engagement discussions with Secure Ideas to the University’s suite of enterprise information systems. Later this month, a follow up meeting is planned to check on the progress of the recommendations and plan for future engagements.

Concerning PCI DSS, the most recent periodic review of Self-Assessment Questionnaire (SAQ) status reflected that 83% of merchants have passed their SAQ’s and 45% of sales are being made by merchants that have passed their SAQ’s. All of the merchants required to use the Actively Secured Network (ASPN) are within that environment. Additionally, the ISO Team and merchants continue to address the recommendations in the CampusGuard Qualified Security Assessor (QSA) report. Finally, Mr. Williams reported that the ISO Team has developed a risk assessment instrument that merchants can use to meet their requirement for annual risk assessments.

In conclusion, Mr. Williams thanked Sarah Bettencourt of the Treasury and Tax Services Office for monitoring the status of SAQ’s and sending reminders to merchants.

Mr. Williams explained to Representative Tanya Morehouse that 54% of sales conducted by merchants that have not passed their SAQ’s is not alarming, because a small number of merchants account for a large number of sales dollars. He reminded her that all of the merchants required to use ASPN are within a controlled environment and are doing what they needed to in terms of security. He feels confident that merchants are making satisfactory progress toward the completion of their SAQ’s and that merchants have addressed their most serious risks. Ultimately, if the credit card providers felt the merchants were not working toward compliance they would revoke their privileges. There has been no indication from the providers that they are considering this option.

In response to Vice Chair Rocheleau’s question about what it means to pass a SAQ, Mr. Williams explained that merchants must be able to answer affirmatively or not applicable to every question on the SAQ. Vice Chair Rocheleau also asked if this requirement was subject to audit. Mr. Williams further explained that the SAQ’s are done annually and there is no formal audit requirement for any of the University’s merchants to complete them although the University did choose to have a formal assessment done of the CatCard service center because it provides services to other organizations.
In response to Chair Young’s question, Mr. Williams affirmed the University’s positive relationship with Secure Ideas. Subject to University RFP requirements, he would welcome future opportunities to work with them.

Chair Young revisited the question from the July Audit Committee meeting about the distribution of the Secure Ideas final report and whether to have the vendor present the report to the Committee. After some discussion, Chair Young determined that a presentation on the report would be provided at the November meeting.

**FY 2013 Financial Statement/A-133 Audit Status Report**

Renee Bourget-Place of KPMG provided a status report on the FY 2013 financial statement and OMB Circular A-133 audits. She had no significant control or compliance findings to report. KPMG is on schedule and the University seems to be prepared for KPMG’s year-end fieldwork.

Controller Burlingham responded to Chair Young’s inquire into the status of the request for proposal (RFP) to retain an audit firm to conduct the mandatory annual audit of the financial statements and compliance audits. A draft of the RFP is currently with Procurement Services and will be released to the public within the next week or two. Vice Chair Rocheleau requested an update on the RFP at the November meeting.

**Implementation of GASB 65**

Referring to her presentation at Attachment 5, Controller Claire Burlingham reviewed the changes to the University's financial statements mandated by the Governmental Accounting Standards Board (GASB) for FY 2013 and FY 2014. GASB is the agency that sets the guidelines and standards by which the University of Vermont does its accounting and financial reporting. She explained that most new GASB standards have very little effect on our financial reporting systems; however, there are two new standards that will have a very sizeable and substantial impact on the way we will present our financial statements and classify certain activities within the financial statements.

GASB 63 speaks to the new financial reporting the University will be implementing for the year ending June 30, 2013. GASB 65 requires that previously recorded assets and liabilities will now have to be recorded in accordance with the new classifications of deferred outflows and deferred inflows. In addition, the SRECNA or statement of net assets is now the Statement of Revenue, Expense and Net Position. As a result, net position is now net assets plus net outflows minus liabilities minus net inflows equals net position.

Regarding the new classifications, deferred outflows will be reported as a separate section underneath the assets and deferred inflows will be reported as a separate section underneath the liabilities. Ms. Burlingham then provided the Committee with definitions of both deferred outflows and inflows with specific examples of each.
One significant change for the University to be implemented next year will be the reclassification of certain types of expenses. For example, the University has reported debt issuance costs as an asset amortized over the life of the bonds. Moving forward and not as a retroactive adjustment, as of June 30, 2014, that cost will now be classified as an expense. For the University, this will be approximately one million dollars of additional expense that will now have to be recognized in our June 30, 2014, statements, and as result, a reduction in the University’s net position for that period.

Ms. Burlingham confirmed for Vice Chair Rocheleau that conversely, there will not be expenses that will now need to be amortized. Vice President Cate noted that the new standards are applicable to all public higher education institutions and should not affect how we are viewed in the marketplace. Ms. Burlingham added that the Committee will see a shift in the net position of the University from FY 2013 to FY 2014 and confirmed for Chair Young that the shift will be at least a one million dollar reduction to net position because of the recognition of the formerly amortized costs.

Chair Young asked about the reporting of multi-year sponsored programs and Ms. Burlingham explained that she would be working closely with Sponsored Program Administration (SPA) on the issue. Ms. Bourget-Place of KPMG commented that the new standards would only apply in the rare occurrence when funds were received in advance of actually earning the revenue.

In conclusion, Ms. Burlingham noted several required changes to the footnote disclosures to the financial statements. These include an expansion of the disclosures related to component units, cash and investments, and receivables.

In response to Vice Chair Rocheleau’s question about resources needed to make the required changes to the financial statements, Ms. Burlingham reported that she would be able to manage the transition and changes with existing resources.

As a result of the standards changes, Chair Young noted that it is very challenging to compare the financial statements year to year. Ms. Burlingham and Ms. Bourget-Place commented that fortunately, changes of this significance do not occur often.

Ms. Burlingham and Ms. Bourget-Place confirmed for President Sullivan that there is a public comment period for changes to accounting standards. Normally, other than for very large institutions, most universities work through their trade organizations, such as National Association of College and University Business Officers (NACUBO), to comment on changes to the accounting standards.

At Vice Chair Rocheleau’s request, Ms. Bourget-Place provided additional background information related to the issues that the rule changes are trying to address.

Ms. Bourget-Place suggested pointing out the definitional changes when Ms. Burlingham reviews the financial statements with the Committee at the November meeting.
Summary Report of Presidential Housing Expenses

In accordance with University Operating Procedure the President’s Official Residence, Chief Internal Auditor Bill Harrison provided the Committee with a summary of FY 2013 Presidential housing expenditures. The total operating expenses were $80,109 and project expenditures were $1,187,981 for the Englesby house. Mr. Harrison noted that the Presidential housing expenses were not audited. Instead, OAS extracted Englesby house expenses from PeopleSoft and made inquiries with certain responsible officials on campus to determine the reasonability of the expenses.

Referring to his written report, Mr. Harrison noted Vice President Cate’s projected budgets for the President’s residence for FY 2014 were $83,500 for operating expenses and $170,000 for access ramp and deferred maintenance project expenses.

Mr. Harrison will report on the Presidential housing expenses again in September 2014 and provide a comparison of budgeted to actual expenses.

Mr. Harrison confirmed for Representative Tanya Morehouse that the University Operating Procedure for the President’s Official Residence was established in 2012 and that this was his first report to the Committee. Vice President Cate explained that there had not been an operating budget for the Englesby house as it had not been occupied and did not require a budget beyond capital projects.

In response to a question from Representative Tanya Morehouse, the Committee determined that the Chief Internal Auditor would not audit the Presidential housing expenses unless they felt it was warranted after comparing year to year expenses.

In response to Vice Chair Rocheleau’s questions about the Englesby house repair and maintenance expenses, Vice President Cate noted that because of the age and size of the building there will always be some repair and maintenance expenses. These annual expenses will be much less than the recent renovation costs but are still necessary to ensure that we will not have to incur significant project costs in the future.

Chair Young asked why events planning and food services were listed under operating expenses in Mr. Harrison’s written report, which he does not consider to be an operating cost of the House. Mr. Harrison responded that these categories were included as a category in the University Operating Procedure but agreed that he did not consider events planning and food services to be Englesby operating expenses. Chair Young also noted that the FY 2014 budget did not include a line for these expenses, creating a problem with the year to year comparison of expenses in the future. Vice President Cate agreed with Chair Young’s comments and suggested that the Food Services and the Events Planning categories of Englesby House expenses be removed from the University Operating Procedure. Vice President Cate confirmed for Chair Young that management could make the changes without the Committee’s specific approval.
Summary Report of Presidential Expenses Reimbursements

In accordance with the Audit Committee Charter, Vice President Cate provided the Committee with a summary of the President’s FY 2013 expense reimbursements and travel expenses. By way of explanation, Vice President Cate provided background information related to how the University accounts for expense reimbursements. To meet the intent of the Charter requirement it was determined that in addition to expense reimbursements, travel expenses would also be included in the report.

Vice President Cate noted that in his inaugural year, the President visited every County in the State and that a majority of the expenses were associated with the President’s work on behalf of the UVM Foundation. Vice President Cate commented that he felt the travel expenses were quite low considering how often the President traveled.

Chair Young asked how does the University account for the Foundation-related travel. Vice President Cate said the University can distinguish between Foundation and University expenses and he and the President have had conversations with the Foundation about reimbursing the University for these expenses. Chair Young responded that he was not suggesting that the Foundation reimburse the University, but that when we examine how we support the Foundation, the cost should be included in the accounting. The President noted that conversations with the Foundation were underway.

Vice President Cate confirmed for Chair Young that his report, Attachment 7 of the Audit Committee materials, satisfied the Audit Committee Charter requirement to annually report on presidential expense reimbursements.

Finally, Chair Young asked if the Committee had to accept or acknowledge receipt of the Report. Vice President Cate said that no, the presentation of the report to the Committee as reflected in the meeting minutes would be satisfactory.

Review of Audit Committee Charge

Chair Young presented the proposed changes to the Audit Committee Charge as included in Appendix A. Mr. Harrison explained that the Charge has not been updated since 2006 and that the purpose of the revisions are to align the Charge with the Audit Committee’s responsibilities in the Charter.

Representative Tanya Morehouse asked if the Charge was intended to be an outline or broad overlay of the Committee’s responsibilities in the Charter and if there was ever any question about the Committee’s responsibilities or inconsistency between the two documents, which document would control, the Charge or the Charter. Vice President for Legal Affairs and General Counsel Fran Bazluke responded that the Charge and the Charter should be consistent; any inconsistencies would have to be resolved by the Board.
Chair Young noted that the language in the first sentence of the Charge had been softened from “ensuring” to “promoting”. Mr. Harrison responded that the Charter included “promoting” and the change was made for consistency.

Renee Bourget-Place of KPMG asked whether there was a need for both a Charge and a Charter. Vice President Bazluke responded that yes, for consistency with other Board Committees, the Audit Committee should also have a Charge.

Representative Morehouse noted that the revisions in relation to institutional policies were largely consistent with the Charter responsibilities except for the omission of the term “ethical” in the Charge statement and asked whether this was an oversight. Mr. Harrison responded that there was no intent to leave it out. Vice Chair Rocheleau asked whether the Charge should be amended to include the term. For clarification, Vice President Bazluke noted that this is a significant issue that the President currently has under advisement. The President then recommended that this conversation be deferred to provide an opportunity for the University to have a more thorough discussion of the issue and to develop a consistent coherent approach before making a decision.

At the conclusion of the previous discussion, and subject to further discussion of whether the word “ethical” should be included in the Committee charge statement, the following resolution was presented for approval:

**Resolution Approving Audit Committee Charge Revisions**

WHEREAS, the Audit Committee has decided to ensure that its Charge is consistent with the Committee’s principal responsibilities;

BE IT RESOLVED, that the Audit Committee hereby approves the revisions to the Audit Committee Charge, as included in Appendix A, for recommendation to the Board.

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

The President and Chair Young explained to Trustee Branagan that any refinements to the Charge in regard to ethics would not be ready for the October meeting, but the conversation should be moved along as this was an important topic.

**Enterprise Risk Management (ERM) Update**

Chief Risk Officer Al Turgeon began by remarking on the positive changes he has noticed in the ERM culture. Based on his conversations this summer with responsible officials and managers on campus, their questions have changed from what is ERM to how can they use ERM more effectively. He attributes this accelerated positive change to President Sullivan who has stated to his senior leadership his support of the ERM.
program and fact that as responsible officials they are accountable for managing the risks and opportunities assigned to them from the portfolio.

As promised at the July meeting, Mr. Turgeon presented the summary matrix of management response plans. While there is more work to be done, Mr. Turgeon believes the University is getting a better sense of its high-level risks and opportunities and has implemented a systematic way to manage them.

Mr. Turgeon then reviewed the detailed individual one-page management response plans noting that they are designed to give Board members enough detail to understand the full scope of response effort being undertaken. He highlighted the Comprehensive Campaign Opportunity Management plan as a model among the 17 risk and opportunity plans, noting that all of the plans are in different stages of development. Moving forward, Mr. Turgeon will assist Responsible Officials in refining their detailed reporting. Overall, Mr. Turgeon is very encouraged by Management’s response to the process.

Mr. Turgeon explained for Vice Chair Rocheleau that Responsible Officials assess and determine their response plan status as being on-track, at risk or needs attention.

In response to Vice Chair Rocheleau’s question about how often the one-page management response plans would be updated, Mr. Turgeon indicated that they would be updated as Responsible Officials see the need for major revisions. In addition, there will be a formal annual review process, beginning after the May Board meeting and ending with a presentation to the Audit Committee and the Full Board in the fall of each year.

Vice Chair Rocheleau asked how often would the 17 risks and opportunities be reviewed to determine whether they continued to belong on the list. Mr. Turgeon said that based on rescoring of the risks and opportunities in the portfolio, items would fall off or be added to the list and he provided several examples on how that has already worked.

Renee Bourget-Place of KPMG commented that she sees other ERM programs and is very impressed with the University’s program documentation. She also noted that the risks are assigned to various Board Committees, and asked if they would be responsible for questioning management response plans and how that would be communicated back to the Audit Committee. Mr. Turgeon responded that reporting would be made by Responsible Officials to assigned Board Committees. After the presentations, the one-page summaries would be updated and brought back into the annual process.

Chair Young commented on how concise, informative and valuable he found the one-page management response plans. Vice Chair Rocheleau also commented that he felt that the one-page plans and summary matrix were great ways of communicating with the Board about the key risks and opportunities. Mr. Turgeon noted that he would be exploring ways to put the one-page plans into matrix form. Chair Young responded he would be hesitant if this resulted in losing any detail. Mr. Turgeon said that UVM would continue to maintain the one-page plans in addition to a summary matrix.
At Vice Chair Rocheleau’s request, Mr. Turgeon detailed how he plans to present the ERM program at the October 2013 Board meeting. He also reviewed his plans for the risk appetite statement. He intends to review a revised draft risk appetite statement with the President’s Senior Leader’s in early October before forwarding a final draft to the President for approval for presentation to the Audit Committee and the Full Board. Once the risk appetite statement is approved, Mr. Turgeon will work with the senior leadership to develop corresponding risk tolerance statements, and follow a similar vetting process before they are presented to the Audit Committee and the Full Board.

Representative Tanya Morehouse asked what would happen if the Audit Committee is not satisfied with oversight of a risk or opportunity by another Board Committee and if there would be a mechanism in place to influence the University’s decision-making process. Mr. Turgeon responded that this situation would likely result in a discussion among Board and Committee Chairs, the President, and responsible officials about how an individual risk or the portfolio more generally is being managed. Vice President Bazluke then commented that ERM was a risk management and not a risk elimination process. For example, the Deferred Maintenance risk will always need some attention. For transparency, one vehicle would be for the Audit Committee to receive regular status reports. The other Committees would also note in meeting minutes their ERM program discussions and any concerns regarding progress, which would then be reported to the full Board for discussion and action at the Board level, as necessary.

Chair Young commented that there should be some way for the Committee to hear about items identified as “needs attention” more frequently than once a year.

Mr. Turgeon’s ERM presentation ended with a discussion about the Audit Committee’s role in the oversight of the program. The Committee agreed with Vice Chair Rocheleau’s statement about the Audit Committee’s role being one of oversight of the ERM process. The Committee will not take ownership on any issues, unless they fall under the Committee’s Charter responsibilities. The Audit Committee must ensure the ERM process is followed and that every major risk or opportunity is assigned to a Responsible Official and to an oversight committee. President Sullivan agreed with the Committee’s ERM program oversight approach and noted that he plans to have Mr. Turgeon report to him each spring on the status of each risk and opportunity so that he can ensure the portfolio is being properly managed by the Responsible Official.

In conclusion, Chair Young noted that the question of frequency had not been addressed. Vice Chair Rocheleau commented that the answer would be informed by the ERM discussion at the full board meeting in October. He then requested an agenda item be added to the November Audit Committee meeting for discussion.

**Other Business**

Following up on the July 2013 laboratory safety update, Chair Young asked who would replace Vice President Cate as the Responsible Official for laboratory safety. President
Sullivan and Vice President Cate acknowledged that it is still to be determined in an official way.

Executive Session

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 a personnel matter. All in attendance were excused from the meeting, with the exception of Trustees, President Sullivan, Vice President Bazluke, 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. Chief Compliance and Privacy Officer Anna Drummond was excused from the meeting following the first executive agenda item.

Adjournment

The meeting was re-opened to the public at 11:58 a.m. There being no further business, the meeting was adjourned.

Respectfully submitted,

Mark Young, Chair
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE

BOARD OF TRUSTEES

AUDIT COMMITTEE

The Audit Committee is responsible for overseeing the quality and integrity of the University’s financial statements including the selection of, and effective interaction with, the independent auditor; ensuring institutional compliance with mandatory auditing standards, and evaluating institutional systems of risk assessment and internal controls and promoting the development and monitoring the effectiveness of institutional systems of risk management, internal controls, accounting procedures, and compliance with laws and regulations.

The Audit Committee has full authority over the internal audit function including the appointment, evaluation, and termination of the chief internal auditor.

The Committee will review and monitor progress on annual plans for audits and related services ensuring that the plans encompass significant and material aspects of University operations; select and interact with independent auditors; assess the quality and timeliness of management’s response to audit findings and investigations; and evaluate the quality and effectiveness of institutional accounting procedures, the internal audit function, and institutional systems of risk assessment, internal control, and reporting review and make recommendations to the Board regarding institutional policies relevant to the Committee’s charge, such as conflict of interest, fraudulent conduct, whistleblower protection, and documents retention.

A specification of Committee responsibilities shall be set forth in a Charter approved by the Board of Trustees. The Charter shall be revised from time to time in light of accounting industry and legal developments applicable to non-profit corporations and institutions of higher education.

The Audit Committee shall be comprised of no fewer than four Trustees. The Board of Trustees shall annually appoint at least 7 of its members to the Audit Committee. Its members shall be independent of management and the University including its component units and affiliated organizations. Pursuant to the University Bylaws, the President shall not serve as an ex officio member of this Committee.

Approved by the Board of Trustees: September 9, 2006
Revised by the Board of Trustees: October xx, 2013