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

A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on Thursday, February 6, 2014 at 2:00 p.m. in the Livak Ballroom, Room 417-419 Dudley H. Davis Center.

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

MEMBERS ABSENT: Carolyn Branagan and Christopher Bray

OTHER TRUSTEES PRESENT: None

REPRESENTATIVES PRESENT: Tanya Morehouse of the State Auditor’s Office*, Staff Representative Wendy Coy, Alumni Representative Bill Cimonetti, and Student Representative Joshua Barry

REPRESENTATIVE ABSENT: Graduate Student Representative Jason Fuchs and Faculty Representative (vacant)

PERSONS ALSO PARTICIPATING: President Thomas Sullivan, Vice President for Finance and Treasurer Richard Cate, Vice President for Legal Affairs and General Counsel Fran Bazluke, Vice President for Executive Operation Gary Derr, Chief Internal Auditor William Harrison, Information Security Officer Dean Williams, University Controller Claire Burlingham, Associate Vice President William Ballard, Chief Risk Officer Al Turgeon and Renee Bourget-Place and Sara Timmerman of KPMG

* Participated via GoToMeeting

Chair Mark Young called the meeting to order at 2:03 p.m.

Approval of Minutes

A motion was made, seconded and voted to approve the November 18, 2013, meeting minutes.

Chief Internal Auditor Update

Chief Internal Auditor William Harrison began by providing a brief summary of the audits listed in his written status report provided in advance to the Committee. Since the beginning of FY14 the Office of Audit Services (OAS) has completed three proactive reviews, two management request reviews, one review in conjunction with a Police Services investigation, and seven Ethics Point reviews.
Next, Mr. Harrison offered the Committee a summary of four of the reviews. He began with the Vermont Institute for Artisan Cheese. The OAS provided support to UVM Police Services during the investigation in addition to issuing a report addressing weaknesses in internal control. He informed the Committee of the January 31 Press Release from the U.S. Attorney’s Office stating the former UVM employee pled guilty on January 28, 2014, to a charge of federal program embezzlement.

Moving on, Mr. Harrison explained the purpose of Information Technology (IT) Governance Assessment was to help the University align IT goals and business goals, deliver value, measure performance, allocate resources properly across the institution, and mitigate risks. He reviewed an ISACA (formerly known as the Information Systems Audit and Control Association) document titled “Why Good Governance Makes Good Sense” which discusses risk in the rapidly changing IT environment. Management provided a response to the report’s recommendations and the Chief Information Officer (CIO) will be providing a report about the IT Align project to the Board at its October 2014 meeting, which will address many of the report’s recommendations.

Concerning the Inventory and Monitoring of Portable Devices Audit, Mr. Harrison explained the primary focus of the audit was on encryption of university owned laptops. Summarizing a recent news report on the theft of unencrypted laptops, Mr. Harrison noted that laptops are increasingly stolen for the monetary value of data they may contain and emphasized the importance of encryption. The audit found compliance with UVM IT security policies and procedures for encryption varied widely across campus with a clear distinction between administrative units and academic units. Referring back to the IT Governance Assessment, he noted the real question the University needs to address is how do we ensure institutional compliance with our IT and data privacy policies and procedures within a highly distributed IT environment.

Representative Coy asked why no other mobile devices were included in the audit. Mr. Harrison explained that since most of these devices are personally-owned, it was determined not to include them. During the audit, however, unit representatives were asked about password protection of these devices. He also noted that OAS has recently reviewed the use of University-owned cell phones. This population of devices was addressed in the report.

Continuing on, Mr. Harrison reviewed the Building Access Controls audit. In general, the audit found that key control was not consistent with Policy requirements or leading practices. Management agreed with the report’s recommendations related to key controls and additional documentation of our premises security program.

Finally, Mr. Harrison addressed the CatCard embezzlement made public by the Burlington Free Press in December 2013. OAS is working with management and has confirmed that they have developed a corrective action plan. The remaining open items in the action plan are scheduled to be completed by the end of 2014. OAS will be following up on the status of the corrective actions throughout the year.
Mr. Harrison concluded his presentation with a status report of internal audit recommendations. He noted several audits that have been open for many years. These audits have been classified with a “yellow” status due to extended timelines to management’s corrective action plans. These reports included the Department Expenses, CATcard Service Center, Banner Student Information System, Temporary Employees, and Payment Card Industry Standards audits.

Information Security Officer Update

Information Security Officer (ISO) Dean Williams provided a summary of his Office’s work since the September 9 Audit Committee meeting. He began with an update on Payment Card Industry Data Security Standard (PCI DSS). Overall, out of the 36 merchants at the University 29 have passed their Self-Assessment Questionnaires (SAQ) including the Print and Mail Center. The CatCard Service Center reports having completed 90% of their SAQ while the Bookstore is 55% to 60% of the way toward completion. Mr. Williams noted the number of compliant merchants changes as SAQ’s expire and recertification is completed. He also commented on the resources the ISO team has developed to assist merchants working on their SAQ’s. His team continues to assist merchants with technical aspects of compliance.

Chair Young inquired into the percentage of compliant transactions by volume at the University. Mr. Williams responded that currently 50 odd percent of the transactions by dollar volume are being made by merchants that have not completed their SAQ’s. He explained the reason for this is that the University’s largest merchants, the CatCard Service Center and Bookstore, have not completed their SAQ’s.

Chair Young asked if the other institutions the CatCard Service Center provides services to were concerned that they had not completed their SAQ. Mr. Williams answered that he was not aware of any concern. He further explained that since the CatCard Service Center provides these additional services their SAQ is more complex.

Next, Mr. Williams provided an update on the CampusGuard Qualified Security Assessor’s (QSA) Report on Compliance (ROC) for the CatCard Service Center and the Bookstore completed in the spring of 2013. Mr. Williams noted 28 tasks that needed to be addressed have been completed while the remaining six are in progress.

Moving on, Mr. Williams discussed the University’s voluntary participation in two reviews to help evaluate and improve security. The Department of Homeland Security’s Office of Cybersecurity and Communications conducted a review of building control systems. This cyber resilience assessment was designed to measure the University’s ability to avoid disruptive security incidents during normal operations and its ability to continue operations during a time of crisis. Next, the University elected to participate in the Nationwide Cyber Security Review (NCSR). The results of these reviews have helped the University understand the maturity of its controls and cybersecurity posture.
In conclusion, Mr. Williams informed the Committee that Microsoft will be discontinuing its support of Windows XP on April 8, 2014. As a result, University computers running Windows XP will not be allowed to use the UVM wired or wireless networks, and Windows XP computers may be prohibited from using some UVM information systems after this date. Mr. Williams noted some lab equipment affected by this transition. His team is working with individuals so that continued use of this equipment may be done in a safe way.

Chair Young commented on how the discontinuation of Windows XP is making some very expensive equipment obsolete.

**Presentation of the National Collegiate Athletic Association Agreed-Upon Procedures (NCAA AUP) Report**

Ms. Bourget-Place presented the results of the report noting that NCAA regulations contain specific minimum agreed upon procedures for revenues, expenses, and internal controls. The final report is addressed to the UVM President and is not filed with the NCAA. In the report, KPMG noted no significant adjustments. They offered some observations about reclassifications; one item from “other revenue” in the Statement of Revenues and Expenses was reclassified as a sports camp.

Chair Young inquired into how he would know that the materiality threshold of $100,000 and changes greater than 15% chosen by management was appropriate for this review. University Controller Claire Burlingham explained approximately three years ago, at the request of the Audit Committee, a detailed analysis was performed to evaluate peer institution materiality thresholds for reasonableness. Each year since, she has done a quick review to make sure the thresholds are still appropriate.

**Presentation of the FY 2013 OMB Circular A-133 Audit Report**

Ms. Bourget-Place of KPMG reported the total federal expenditures for FY 2013 were $223,122,335. Major federal programs were:

- Student Financial Aid Cluster - $108,674,057
- Research and Development Cluster - $89,364,381

For the financial statement, the University received an unmodified opinion. For the report on internal control and compliance based on audit of the financial statements, their opinion was unmodified with no material weaknesses. On the compliance and internal control at the program level, there were no material weaknesses or significant deficiencies. There were no reportable findings.

University Controller Claire Burlingham noted that with the favorable results for the OMB Circular A-133 Audit the University qualified to be a low risk auditee for next year. She thanked Jennifer Gagnon, Interim Associate Vice President for Research.
Administration, and her team and Mike Meunier and his team in Cost Accounting for their great work. Chair Young also thanked everyone who contributed to the clean audit.

Chair Young commented on the large number of complimentary tickets for sporting events stated in the NCAA AUP report. He asked if there was a policy about who received the tickets. In response, the President noted that there was an ongoing conversation between central administration and the UVM Foundation on a per-game basis about complimentary tickets. Chair Young requested follow up within six months’ time about the University’s policy on whom and when tickets were given away for sporting events.

**Presentation of Emergency Management and Business Continuity**

Vice President for Executive Operations Gary Derr, Associate Vice President for Administrative and Facilities Services Bill Ballard, and Chief Risk Officer Al Turgeon provided the Committee with a presentation about what the University is doing in the areas of (1) emergency management, (2) business continuity, and (3) information and communications technology.

Associate Vice President and co-lead of the University’s Emergency Operations team Bill Ballard began by defining the key terms “business continuity” and “emergency management”. He explained the five phases of emergency management and the four steps in a business continuity management system. Mr. Turgeon further explained how business continuity and emergency management work together. Mr. Turgeon also provided an enhanced view of a business continuity framework.

Associate Vice President Ballard explained that emergency management and business continuity efforts at the University are similar to the majority of higher education institutions. The University’s emergency management component is the most mature while its business continuity in general, and information and communications technology business continuity need attention. The group has not found an institution of higher education that performs all three areas well.

Vice President Derr completed the presentation by describing the University’s next steps. The University is committed to continuing to improve its emergency management and business continuity efforts within its existing resources. Mr. Derr noted the following action steps: (1) complete the all-hazards risk assessment, (2) complete the software installation of the UVM Ready planning tool, (3) develop a business continuity policy and protocol, (4) begin a continuous effort to revise existing institution business continuity plans going forward, and (5) assess the need for additional resources to support UVM’s emergency management and business continuity efforts.

Vice Chair Rocheleau underscored how much effort an all hazard assessment will take and expressed his appreciation for the University’s efforts in a world where risk preparedness is always changing.
Chair Young commented that during a natural disaster employees might have responsibilities at home that take priority over the needs of the University. He remarked on how difficult it can be to get employees to assist with the University’s needs during an emergency. Vice President Derr, Mr. Turgeon and Mr. Ballard discussed the planning for the pandemic response plan risk assessment work to understand the likelihood and impact of risks as well as education and training for preparedness.

Representative Bill Cimonetti requested more information about how planning is integrated with other municipalities and their emergency services as well as businesses. Mr. Ballard responded that he had been appointed as a Deputy Emergency Manager for the City of Burlington. This helps the University integrate the campus with the City of Burlington. Mr. Ballard offered other examples of how emergency services on campus often integrate other state and city services in a variety of ways. Although the University has not integrated its planning with other Vermont Colleges, Mr. Turgeon noted the University had hosted a symposium during the pandemic to help others start their planning.

Representative Coy inquired if this planning is going all the way down to the departments so that everybody in the department would know what is expected of them during an emergency. Mr. Ballard noted the “in case of emergency” posters found around campus and the departmental CatWatch coordinator program. He reminded the Committee that emergency management and business continuity is a volunteer effort with no full time employees dedicated to it. Vice President Derr added that when emergency planning was done in the past the University had drilled deep into the departments.

Vice Chair Rocheleau questioned when the group would complete the “next steps” outlined in the presentation and report back to the Committee. Mr. Turgeon responded that he expected to give periodic reports on this continuing effort. With the current asset allocations for the project, he could report back in six months or a year.

Referring to the Enterprise Risk Management (ERM) presentation provided to the Committee at the September 9, 2013 meeting, Vice Chair Rocheleau recalled that the Emergency Management and Business Continuity Risk Management plan was given an impact/likelihood of high/medium on the University Risk and Opportunity Portfolio heat map. He noted the assessment summary provided to the Committee was the same one provided at the September meeting. Mr. Turgeon confirmed this was correct and explained that there has been a period of reconsolidation and reorganization of multiple efforts taking place around campus. A more holistic and efficient approach is being taken to determine how to best proceed.

Vice Chair Rocheleau asked when the next portfolio assessment is done, might the impact/likelihood of this portfolio item be moved from high/medium to medium. He noted the objective is to have a risk management strategy in place so that the high risk items can moved down in the portfolio. Mr. Turgeon reported that a full report on the ERM portfolio would be provided to the Committee at September 2014 meeting. He expects to see a few emerging risks, some movement up and down in the portfolio, and
perhaps the elimination/retirement of some of the opportunities and risks. Chair Young requested a progress report on the Emergency Management and Business Continuity Risk Management plan in six months.

**Review of the 2014 Audit Committee Workplan**

Chair Young referred the Committee to the 2014 Audit Committee Workplan, found at Attachment 5 of the meeting materials and asked if there were any questions or comments. Mr. Harrison noted the ERM updates planned for the April, July, and September meetings and that the FY2014 financial statement audit and management letter and management response would be presented at the November 10, 2014, meeting.

**Other Business**

At 3:10 p.m., a motion was made, seconded and approved to go into executive session for the purpose of discussing civil actions, contracts, public safety, and student records. All in attendance were excused from the meeting, with the exception of Trustees, President Tom Sullivan, Vice President and General Counsel Francine Bazlueke, Vice President for Finance and Treasurer Richard Cate, Vice President for Executive Operations Gary Derr, Interim Vice President for Research John Evans, Chief Internal Auditor William Harrison, and University Controller Claire Burlingham. For the second item, Vice President for Finance and Treasurer Richard Cate and University Controller Claire Burlingham were excused.

**Adjournment**

The meeting was re-opened to the public at 3:35 p.m. There being no further business, the meeting was adjourned.

Respectfully submitted,

Mark Young, Chair