A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on September 15, 2014, at 9:30 a.m. in room 427A Waterman Building.

MEMBERS PRESENT: Chair Mark Young, Vice Chair Dale Rocheleau, Carolyn Branagan, Samantha Lucas***, Ron Lumbra*, and David Potter*

MEMBER ABSENT: Jeff Wilson

REPRESENTATIVES PRESENT: Faculty Representative Barbara Arel, Staff Representative Wendy Coy, Student Representative Elizabeth MacNeil, Graduate Student Representative Jarett Chizick, and Alumni Representative (appointment pending)

REPRESENTATIVES ABSENT: Tanya Morehouse of the State Auditor’s Office

PERSONS ALSO PARTICIPATING: President Tom Sullivan, Vice President for Legal Affairs and General Counsel Fran Bazluke, Vice President for Finance and Treasurer Richard Cate, Vice President for Executive Operations Gary Derr, Chief Information Officer and Dean of University Libraries Mara Saule, Chief Internal Auditor Williams Harrison, Associate Vice President & Director of Athletics Robert Corran**, University Controller Claire Burlingham, Director of Business Practices and Planning Julia Russell, Chief Risk Officer Al Turgeon, Information Security Officer Dean Williams, Assistant Director of Compliance Services Erica Heffner, Special Assistant to the Vice President of Human Resources, Diversity and Multicultural Affairs, Barbara Johnson, and Claire Esten, of Grant Thornton.

* Participated via teleconference call
** Joined the meeting at 10:15 a.m.
*** Left the meeting at 11:00 a.m.

Chair Mark Young called the meeting to order at 9:30 a.m.

Chair Young began by noting two revisions to the meeting agenda: (1) Special Assistant to the Vice President of Human Resources Barbara Johnson would be joining University Controller Claire Burlingham in providing the Committee with an update on the benefits reconciliation process, and (2) an additional Executive Session item for the Committee to receive advice of Counsel.

Approval of Minutes

A motion was made, seconded and voted to approve the July 14, 2014, meeting minutes.
Compliance Update

Assistant Director of Compliance Services Erica Heffner offered the Committee an update on the Compliance program and work plan activity since the Office’s last report in April 2014.

Ms. Heffner began by reviewing work plan efforts in three areas: (1) Office of Management and Budget (OMB) Uniform Guidance, (2) Patient Protection and Affordable Care Act (PPACA), and (3) Violence Against Women Act (VAWA).

As background, Ms. Heffner reminded the Committee that OMB Uniform Guidance was a Governmental initiative to combine eight circulars into one, making the guidance for the administrative requirements for Federal grants consistent among all agencies. The Office is serving on the Uniform Guidance steering committee, which is meeting weekly to prepare for implementing the guidance. Ms. Heffner noted the Government has extended the implementation of the procurement standard for at least a year.

Chair Young asked if all the OMB Uniform Guidance effective dates had been pushed back. Ms. Heffner noted the new guidance applies to new awards and existing awards receiving additional funding after December 26, 2014, with the exception of the procurement standards. It appears that the University will be required to implement the procurement standards no later than July 1, 2016.

Ms. Heffner agreed with Chair Young that the timeline for implementing the new guidance would be tight as the final guidance would most likely not be made available until November 2014.

Moving on, Ms. Heffner reviewed the Office’s work on the PPACA. This summer, management presented an implementation plan to the President and Provost. She explained that the University is required to offer healthcare coverage to 70% of its full time employees, as defined under the act, by January 1, 2015. By January 1, 2016, 95% of full time employees will have to be offered coverage.

Next, Ms. Heffner noted the recent attention to VAWA and the more than 70 universities currently being investigated by the Department of Education for their handling of sexual assaults. She explained that over the past few years, the Director of Administrative Facility Services has developed a robust Clery compliance program, which will continue with the hire of a new Clery Coordinator position. Also, in response to the 2011 Dear Colleague Letter addressing sexual assault and Title IX, the Title IX Coordinator has been working with the Dean of Students Office to amend University procedures as required. These initiatives have been continuing in order to address the newer VAWA requirements. The final VAWA regulations have not yet been issued. At the October Board meeting, the Vice Provost for Student Affairs Annie Stevens will report on the University’s activities in these areas.
Continuing on, Ms. Heffner referred the Committee to her written report for the data collection and Ethics and Compliance Reporting and Help Line statistics. She also noted her Office’s participation in this year’s Enterprise Risk Management process.

Finally, Ms. Heffner informed the Committee of the new compliance newsletter designed by Compliance Services to raise awareness about new policies, procedures, requirements, and training opportunities. It also provides reminders to the campus community and promotes the Compliance program. The newsletter is available on the Compliance Services website and will be communicated to employees with the annual compliance survey this fall.

Ms. Heffner turned the presentation over to University Controller Claire Burlingham for a report on the outcome of a recent IRS review. Ms. Burlingham explained that the University received a notice in March of 2014 stating the IRS would be conducting an examination of the tax advantage status of its Bonds, Series 2007. After responding to two requests for information, Ms. Burlingham received a letter of determination dated August 22, 2014 affirming the examination was being closed with no change to the position that the interest received by the beneficial owners of the Bond is excludable from gross income under section 103 of the Internal Revenue Code.

Vice Chair Rocheleau asked what the size of the bond issuance was. Ms. Burlingham stated $158 million. Both Chair Young and Vice Chair Rocheleau commented on the favorable results.

Chair Young thanked Ms. Heffner for stepping up to provide the Compliance presentation.

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 2014 Presidential housing expenditures. The total operating expenses were $97,666 and costs associated with Board and Management approved projects were $162,994 for the Englesby House. Mr. Harrison’s Office did not identify any unusual transactions.

Representative Arel asked if it was possible to get a budget to actual number or a comparison of year-to-year expenses. Mr. Harrison responded that last year Vice President Cate had given a budget of $83,500. This can be compared to this year’s expenses of $97,666. He believes the reason for the difference is the budget did not reflect all of the Physical Plant Department wages. Mr. Harrison is working with the Vice President for University Relations and Administration Office on the development of the FY 2015 budget estimates.

In response to Vice Chair Rocheleau’s question about what the budget was for capital projects, Mr. Harrison reported overall the budget was approximately $1.6 million.
Representative Coy inquired if the renovations to the Englesby House were complete. Vice President Cate noted the renovations for the original project were complete. Trustee Branagan and Vice President Cate commented that because the house is a national historic building and the home of a University President, it will require ongoing maintenance.

Vice President Cate confirmed for Chair Young that events planning and food services were removed from the Englesby House expenses. Chair Young requested this be noted for future year-to-year comparisons.

Vice Chair Rocheleau commented moving forward he would find it helpful to have a comparison of actual to budget.

**FY 2014 Financial Statement/A-133 Audit Status Report**

Claire Esten of Grant Thornton provided a status report on the FY 2014 financial statement and OMB Circular A-133 audits. She had no significant control or compliance findings to report. With respect to the A-133 audit, she noted an item identified in the testing of the Medicaid cluster is in the process of being resolved. Finally, Grant Thornton is finalizing their information technology (IT) testing. There will be some IT observations, with no significant or material weaknesses reported.

Claire Burlingham clarified for Representative Coy that the results of the IT review will be reported at the November 10, 2014, Audit Committee meeting.

**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 2014 expense reimbursements and travel expenses. Vice President Cate noted the Foundation began funding the President’s development travel mid-year and future reports will not include development travel. In conclusion, he verified that all the expenses have been appropriately approved and are consistent with University policy.

Chair Young inquired into how the President’s travel expenses were paid by the Foundation. Vice President Cate explained that the President’s expenses are paid with a Foundation purchasing card. The President further explained that when he travels on University business, those expenses are paid with a University purchasing card. On occasions when he incurs out-of-pocket expenses on business trips, he is reimbursed for those expenses. These expenses are included in both the Foundation and University’s audits.

**Review of Audit Committee Charge and Charter**

Chief Internal Auditor Bill Harrison presented the proposed changes to the Audit Committee Charge and Charter. Mr. Harrison explained the only change to the Charge
was to reduce the number committee members from seven to five. He felt five was a good number because it was consistent with his research of industry standards and would allow the Committee to meet quorums. Vice President for Legal Affairs and General Counsel Fran Bazluke noted the change would read “at least 5 of its members” allowing the Board the option to appoint more members.

Vice Chair Rocheleau asked what was driving the proposal for the change to the Charge and if there had been issues with the Committee meeting quorum. Both Mr. Harrison and Vice President Bazluke confirmed that the Committee has had issues meeting quorum. Vice President Bazluke commented that governmentally related trustees, including legislative trustees, often serve on the Committee, which can be problematic in terms of scheduling and quorums when the legislature is in session.

Mr. Harrison moved on to explain the changes to the Audit Committee Charter were made to reflect the Committee’s current practices. He noted revisions to the membership section concerning background requirements for Audit Committee members. He also noted the changes made to reflect both the Committee’s role in Enterprise Risk Management (ERM) oversight and the changes made to the Compliance program last fall.

Vice Chair Rocheleau inquired into why the first sentence in the Oversight of Audits section, under part b had changed from “review and approve audit plans developed in consultation with independent audit firms” to “review audit plans developed in consultation with independent audit firms”. Mr. Harrison explained the Committee does not approve the external auditor’s plans. Chair Young added the Committee can make suggestions but does not approve the external audit plan. Ms. Esten commented that if the Committee approved the external audit plan it would be seen as the Committee’s audit plan and not the external audit firms.

At the conclusion of the previous discussion, Chair Young presented the following resolutions for approval:

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.
The following resolution was presented for approval:

**Resolution Approving Audit Committee Charter Revisions**

WHEREAS, the Audit Committee has decided to ensure that its Charter and Guidelines are consistent with the Board’s reserved rights and delegated authority and the Committee’s principal responsibilities;

BE IT RESOLVED, that the Audit Committee hereby approves the revisions to the Audit Committee Charter and Audit Committee Guidelines, as included in Appendix B, for recommendation to the Board.

A motion was made, seconded and the following roll-call vote was taken voting on the resolutions: Mark Young – Yes, Dale Rocheleau – Yes, Carolyn Branagan – Yes, Samantha Lucas – Yes, Ron Lumbra – Yes, and David Potter – Yes. The resolutions were approved as presented.

**Changes to the Conflict of Interest and Conflict of Commitment Policy**

Chief Internal Auditor Bill Harrison informed the Committee of two housekeeping changes to the Conflict of Interest and Conflict of Commitment policy. The first change broadened who may be required to annually disclose conflicts. The second change revised how potential violations of the conflicts of interest policy can be reported.

Chair Young asked if this broadened the President’s authority for conflict of interest beyond the administration. Mr. Harrison and Vice President Bazlue confirmed that it did and is a best practice. Mr. Harrison further explained there are University employees beyond officers of administration who have responsibilities that warrant annual disclosure of conflicts.

Vice Chair Rocheleau commented that the second sentence in the Conflict of Interest and Conflict of Commitment policy made him pause and it was something to think about. He also pointed out a typographical error on page 7 of the policy.

**IT Security and Data Privacy**

Chief Information Officer (CIO) and Dean of University Libraries Mara Saule began by noting her presentation would focus on how security, privacy and compliance work together. She referred the Committee to the article included in her materials: ‘Privacy, Security & Compliance Strange Bedfellows or a Marriage Made in Heaven?’. Ms. Saule explained privacy, security and compliance are one big happy family at the University. She further illustrated how the Chief Privacy Officer, General Counsel, the Information Security Operations team, the College of Medicine, Compliance, the Chief Risk Officer and Audit Services work together on data breaches and mitigation strategies to protect student and employee information.
Ms. Saule provided a history of privacy, security and compliance. She went on to define privacy as a civil liberty and information privacy as anything that leaves a trail about a person. Privacy operates on a policy and value level. The response to privacy questions are guided by what is possible and what is “the right thing to do” such as following the principals in Our Common Ground. She offered an explanation and examples of how privacy and security work together but are different.

As the Chief Privacy Officer and CIO, Ms. Saule believes the University’s privacy model of bringing information security and data privacy together organizationally works well and follows best practices.

Moving on, Ms. Saule referred the Committee to her list of activities for an information privacy program. This list included managing privacy and security breach incidents; developing privacy policies; reviewing contracts with third parties; awareness, training and teaching; and maintaining knowledge of privacy law.

Ms. Saule went on to explain that the University did not have a privacy and security governance structure. She has since proposed a simple governance structure that focuses on issues at hand and fits the University. The governance structure includes a steering committee, information security and privacy response team, data steward committee, information security and privacy council and school/college and administrative unit information security/privacy liaisons.

In conclusion, Ms. Saule offered a summary of the privacy program’s next steps. These steps include engaging a consultant on Privacy/Security/IT structure, establishing a Privacy Program support infrastructure, identifying responsible officials for each statute/law and define responsibilities, creating a communication and education plan, and establishing a system to track breach trends.

Representative Coy asked if a staff member has a concern about data and privacy, whom do they bring it to. Ms. Saule explained they should start with her and she will triage accordingly. Information Security Officer Dean (ISO) Dean Williams noted the IT website includes a section on how to report concerns and directs users to the Ethics and Compliance Reporting and Help Line. Planned updates to the website will address privacy concerns specifically.

Representative Arel inquired into how Mr. Harrison and Ms. Esten have reviewed the effectiveness of the University’s privacy and security policies and if they have done any testing. Mr. Harrison responded that Audit Services recently completed two reviews, one on IT Governance and the other on encryption. Ms. Saule’s proposed governance structure is in response to the IT Governance report and the work of her Office regarding governance models. Mr. Harrison explained that encryption is an important aspect of the University’s security program and data privacy. Mr. Harrison also plans to report on some concerns with the University’s email procedures at the November Audit Committee meeting. Ms. Esten explained that Grant Thornton focuses on financial reporting and
related policies. They review policies for best practices and test certain areas for adherence to policy.

Representative Coy questioned if the email policy would be updated with the new email client. Ms. Saule explained the policies address who and under what conditions someone can ask for an individual’s emails.

Representative Coy asked if the same was true for instant messaging. Mr. Williams responded yes, if the messaging was through the UVM system and there was an archive.

There was a discussion prompted by Representative Arel’s concerns and questions about software companies approaching faculty members and textbook publishers promoting homework management systems that link to Blackboard. In conclusion, Mr. Williams advised that in these situations, faculty members should consult with the ISO Team.

Chair Young expressed his concerns about the amount of information in the University’s IT systems and the huge risk to the University’s reputation if the systems were compromised. He commented that it was time to move forward with more testing to ensure the systems security and asked what was anticipated to step up IT security. Ms. Saule responded that there would be more testing because the University needs to assure its clients that its systems are safe. The types of attacks that are happening demand that a secure network be a priority. The University cannot be complacent because attacks are ever changing. Mr. Williams described internal vulnerability testing done on central systems as well as some systems run by the colleges. He noted contracting with an external firm to conduct external vulnerability testing, however, is not in the current fiscal year budget. He further explained that he is more concerned about University information that is not controlled by the University due to cloud computing.

Ms. Saule noted one priority is to create a University position and policy statement on remote hosting. A discussion followed on the subject of cloud computing and risks to the University.

**Committee Requested Updates**

The first update presented to the Committee was on institution continuity and emergency management. Vice President Derr began by acknowledging the work of Vice Provost for the Division of Student Affairs Annie Stevens and Associate Vice President of Administrative and Facilities Services Bill Ballard who direct the University’s emergency management program and Chief Risk Officer Al Turgeon and Director of Business Practices and Planning Julia Russell on institutional continuity.

Actions since the February meeting included (1) updates to the protocols and logistics for the University’s winter storm and structural fires response and recovery plans, (2) the installation of UVM Ready a the web based planning tool, (3) drafting an Emergency Management/Institution Continuity Policy and an Institution Continuity Planning Protocol, (4) roll play drills for an “off-campus transportation accident” and “active
shooter”, and (5) continued work on the all-hazard risk assessment to ensure the University is planning for the right types of emergencies.

Mr. Turgeon moved on to discuss the institutional continuity and emergency management program’s next steps. The all-hazard risk assessment will look into insurance for structural fires and a historical view of weather events. A heat map will be created to determine where resources should be invested. Plans include piloting the draft Institution Continuity Planning Protocol with Enterprise Technology Services (ETS). Finally, a full-time position will be created for an institution continuity and emergency management specialist beginning in FY 2016.

In conclusion, Mr. Turgeon reviewed the 4-year Institution Continuity Program plan.

Special Assistant to the Vice President of Human Resources Barbara Johnson provided the next update on the benefits reconciliation process. The quarterly health insurance benefit reconciliation for October 2013 through December 2013 is complete. This process continues to be manual and reconciliations have not identified concerns other than discrepancies due to delays in transaction time. An upgrade to the PeopleSoft system has delayed automating the process of exchanging change of status information between the University and Blue Cross Blue Shield as well as the reconciliation process. Testing of the automated system will begin next month.

Ms. Johnson confirmed for President Sullivan that the reconciliation process will be ongoing. Once the process becomes automated, it will be done monthly.

President Sullivan asked what is the gap before there is a full reconciliation of a particular person’s account. Ms. Johnson responded that it depends on the circumstance. As soon as an issue is identified it is corrected.

President Sullivan asked what the timeframe was for getting the University’s automated system fully operational. Ms. Johnson answered within a month.

Associate Vice President and Director of Athletics Robert Corran provided the final update, regarding complimentary athletic tickets. Mr. Corran referred the Committee to attachment 9 of the materials, a table of all the sports and major categories to which tickets were given. The largest number of tickets are given to UVM students as part of their student athletics fee. He explained that the “Other” category includes tickets for UVM student-athletes and coaches as well as visiting team student-athletes and coaches. Conference requirements also require complimentary tickets be given to visiting teams. In conclusion, he noted that very few tickets are given on a discretionary basis.

Mr. Corran clarified for Vice Chair Rocheleau that the men’s hockey tickets listed in the “Opponents” category were not included in the “Other” category in the complimentary tickets table provided in attachment 9 of the materials.
President Sullivan asked if the four tickets given to student-athletes and six to coaches is an NCAA requirement. Mr. Corran responded that there are NCAA regulations regarding complimentary tickets and these are numbers that the University feels are appropriate. The tickets are primarily for parents and immediate family.

With regard to public or elected officials, President Sullivan asked if the University’s complimentary ticket policy and perhaps the State policy requires reimbursement for tickets. Mr. Corran confirmed this was correct. Arrangements for these tickets typically go through the President’s Office or the Foundation.

In response to Trustee Branagan’s questions regarding whether there had been a problem with complimentary tickets and why it was on the agenda, Chair Young explained he had requested this update because the annual NCAA review showing ticket sales and the number of complimentary tickets caught his attention. The number of tickets seemed high to him and he was curious as to how they were being handled and who made the decision about who received them.

**Other Business**

At 11:10 a.m., a motion was made, seconded and approved to go into executive session for the purpose receiving advice of Counsel and discussing civil actions, premature general public knowledge of which would clearly place the University at a substantial disadvantage. All in attendance were excused from the meeting, with the exception of Trustees, President Tom Sullivan, Vice President and General Counsel Francine Bazlute, Vice President for Finance and Treasurer Richard Cate, Chief Internal Auditor William Harrison, and University Controller Claire Burlingham. For the second agenda item Vice President for Finance and Treasurer Richard Cate and University Controller Claire Burlingham were excused and Assistant Director of Compliance Services Erica Heffner joined the meeting.

**Adjournment**

The meeting was re-opened to the public at 11:30 a.m.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Mark Young, Chair
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; 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; assess the quality and timeliness of management’s response to audit findings and investigations; and 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 Board of Trustees shall annually appoint at least 57 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 26, 2013
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE
BOARD OF TRUSTEES
AUDIT COMMITTEE

Charter

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

I. Principal Responsibilities

The principal responsibilities of the Committee shall include:

a. promoting the development and monitoring the effectiveness of an institutional system of risk assessment and internal controls. At least annually, reviewing with management the University’s processes for identifying, prioritizing, mitigating, and reporting institutional risks;

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

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

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

e. implementing a selection process to retain the independent auditor and making a recommendation to the Board of Trustees for approval. Recommending such additional audits as the Committee and/or the Board must approve under the Board’s reserved authority;

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

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

h. reviewing the effectiveness of the University’s practices related to monitoring its compliance with laws and regulations;
i. reviewing the results of management’s investigation and resolution of any reported, or otherwise discovered, significant instances of noncompliance;

j. evaluating the scope and quality of internal and independent audit services, and the degree of coordination and appropriate degree of independence between them; and

k. reporting regularly and promptly to the Board regarding matters within the scope of the Committee charge; and

l. periodically reviewing expense reimbursements, or summaries thereof, that have been submitted by the President and reviewed and certified by the Vice President for Finance and Administration.

II. Membership

The University of Vermont Board of Trustees shall annually appoint at least 7-5 of its members to the Committee. Its members shall be independent of management and the University including its component units and affiliated organizations. For the purposes of this charter, “independence” is defined as rendering a Trustee ineligible for Committee service if he or she (1) is employed by the University; (2) is a partner or employee of a firm retained to conduct an audit of the University; (3) held such University employment or audit engagement at any time during the previous three years; or (4) is receiving consulting, advisory, or other compensatory fees for services provided to the University. Members of the Investment Subcommittee are eligible for appointment to the Audit Committee, but no such member may serve as its Chair or Vice Chair. The University President is ineligible for service as a member, ex officio or otherwise, of the Audit Committee, as a University official and employee.

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

Members of the Committee shall receive orientation appropriate to their Committee membership. They will have the goal of All members should have a general understanding of general accounting, business and finance principles, including the ability to read and understand institutional financial statements, whether gained preceding service on this Board of Trustees or during Committee orientation. If possible, At least one member of the Committee will should possess accounting or financial expertise.

III. Authority

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

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

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

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

I. Retention of the Independent Audit Firm

a. The Committee shall annually authorize and direct the Committee Chair to retain the independent audit firm to conduct the mandatory annual audit of the financial statements and/or compliance audits. In conjunction with such retention, the Committee will assess the independence and objectivity of the firm by obtaining statements from the firm on relationships between the firm and the University. The Committee will review and assess any relationships disclosed that may impact auditor objectivity and independence.

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

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

II. Retention of Other Audit Services

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

III. Oversight of Audits

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

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

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

c. subject to subsequent Board consideration and action, review and accept the mandatory annual audit of the financial statements. Review the Office of Management and Budget Circular A-133 audit, and the financial agreed upon procedures report of institutional National Collegiate Athletic Association programs;

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

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

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

g. confirm with management, the Office of Audit Services and the independent audit firm respectively that the annual financial statements disclose all material off-balance sheet transactions, arrangements, obligations, and other relationships of the University with unconsolidated entities or other persons that may have a material current or future effect on institutional financial condition, and the results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses;
h. receive reports from management, the Office of Audit Services and the independent audit firm, regarding new and significant accounting standards to understand their impact on institutional financial statements;

i. receive reports from the Office of Audit Services regarding any financial fraud which, in single incident or aggregate, results in an institutional uninsured or insured loss in excess of $10,000;

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

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

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

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

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

IV. Internal Controls

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

a. Certifications

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

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

   a. He/she has approved the financial statements,

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

   c. Based on his/her knowledge, the financial statements materially present the financial condition and result of operations,
d. He/she is responsible for establishing and maintaining a system of internal controls over financial reporting, and that,

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

b. Policy Review.

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

c. Required Disclosures and Compliance Monitoring.

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

d. Confidential Reporting.

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

V. Enterprise Risk Management

a. Oversee management’s enterprise risk management process on behalf of the Board.

b. Receive periodic updates on management’s process to identify, prioritize, mitigate, and report institutional risk including the process to map risks to relevant Board Committees.

VI. Compliance

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

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

c. Review with the Office of Compliance Services and management, the findings of any compliance examinations by regulatory agencies and any auditor observations;
d. Review with the Office of Compliance Services and management, the process for communicating the code of business conduct to University personnel and for monitoring compliance therewith;

e. Receive periodically, but not less than annually, quarterly reports from the Office of Compliance Services on its activities;

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

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

As approved by the Board of Trustee: November 13, 2004
Approved as amended by the Board of Trustees: September 8, 2007
Revised by the Audit Committee: November 12, 2007
Approved as amended by the Board of Trustees: December 1, 2007
Revised by the Audit Committee: April 28, 2009
Approved by the Board of Trustees: May 16, 2009
Revised by the Audit Committee: October 11, 2010
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Revised by the Audit Committee: November 14, 2011
Approved by the Board of Trustees: February 4, 2012
Revised by the Audit Committee: September 15, 2014