A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on September 14, 2015, at 9:30 a.m. in room 427A Waterman Building.

MEMBERS PRESENT: Chair Dale Rocheleau, Vice Chair Jeff Wilson*, David Brandt**, Bernard Juskiewicz, and Donald McCree*

MEMBERS ABSENT: Ron Lumbra and Ed Pagano

REPRESENTATIVES PRESENT: Tanya Morehouse of the State Auditor’s Office, Faculty Representative Barbara Arel, Staff Representative Wendy Coy, Student Representative Roger DaGama, and John Gilbert on behalf of Graduate Student Representative Adam Nock

REPRESENTATIVES ABSENT: Vermont State Auditor Douglas Hoffer, and Alumni Representative (appointment pending)

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 Internal Auditor William Harrison, Chief Information Officer and Dean of University Libraries Mara Saule, Associate Vice President for Research Administration Jennifer Gagnon, Director of Compliance Services Tessa Lucey, Associate Chief Information Officer Julia Russell, Assistant Director of Compliance Services Erica Heffner, and Claire Esten, Paul Klein, and Carolyn Warger of Grant Thornton.

* Participated via teleconference call.
**Participated until 10:37 a.m.

Chair Rocheleau called the meeting to order at 9:35 a.m. He began by acknowledging University Controller Claire Burlingham’s outstanding service to the University and asked Vice President for Finance and Treasurer Richard Cate to pass along well wishes in her new role at Bard College.

Approval of Minutes

A motion was made, seconded and voted to approve the July 13, 2015, meeting minutes.

Chief Internal Auditor Update

Chief Internal Auditor William Harrison began by providing a brief summary of the audit reports and other work products issued by the Office of Audit Services (OAS) since the beginning of FY 2016. In addition to his written report, Mr. Harrison noted that the Audit Committee Charter and Guidelines require reporting to the Committee of non-compliance with the Board of Trustee’s resolution regarding delegation and retention of Board authority. Based on the results of the
Procurement audit, Mr. Harrison described three transactions, textbook purchases, and at least one sales contract that had not been approved by the Board in advance of the action as required. He identified contracts and leases that included automatic renewal clauses as the reason why the three transactions did not meet the resolution’s requirements. The OAS is working with Vice President Cate and Purchasing Services to draft contract review procedures in order to meet compliance with these standards. Vice President Cate added that he and Vice President for Legal Affairs and General Counsel Fran Bazlule are looking into whether the current resolution articulates the Board’s intentions to create the proper balance between accountability and efficiency, including a review of higher education practices nationwide.

Continuing on, Mr. Harrison explained that the OAS issues audit memorandums in response to institutional non-compliance identified in their work. Recently, the Office issued memorandums concerning gift certification, social media, and the policy implementation process.

Next, Mr. Harrison explained how the OAS adds new work plan items based on issues identified in the course of existing work. Following this practice, the Office initiated new work plan projects in the areas of vacation time balances, workshop safety, and cash receipts as well as advisory work for the Rubenstein School.

In conclusion, Mr. Harrison updated the Committee on the status of internal audit recommendations. He provided a brief summary of the classification and status reporting process. As of August 31, 2015, 24 recommendations have been closed, management determined not to take action on 10 recommendations, and 86 recommendations remain open.

In response to Representative Tanya Morehouse’s questions about gift certification and the Foundation’s role in the certification process, Vice President Cate explained that the Foundation negotiates donor agreements while the University ensures expenditures meet donor intent.

Recognizing that the Rubenstein School of Environment and Natural Resources had not been aware of the University’s Restricted Gift Fund Administration operating procedure prior to the OAS’s department audit, Representative Morehouse asked if there were any concerns about non-compliance with donor intent. Vice President Cate explained donor restrictions are continually being monitored and this lack of awareness does not necessarily correlate with improper use of gift funds. Mr. Harrison further explained this was a new process resulting from a prior OAS audit recommendation.

Referring to the OAS’s proactive Workshop Safety review, Representative Morehouse inquired into whether Risk Management should periodically check for workshop compliance. Mr. Harrison responded that Risk Management has a workshop safety program and the proactive review was a result of access control and training observations made in the Rubenstein audit. Representative Wendy Coy suggested educating staff about available safety training programs as they may not be aware of training requirements.

Grant Thornton FY 2015 Financial Statement/A-133 Update

Claire Esten, of Grant Thornton, began by explaining the goal of the information technology (IT) audit is to gain an understanding of how IT is used in supporting business operations and
producing financial reports used for the University’s financial statements. She turned the presentation over to Managing Director Paul Klein who oversaw the IT audit and provided the Committee with an overview of the IT assessment. The audit resulted in six findings that are common to institutions of higher education and were classified as control deficiencies, the lowest level of findings, which are not required to be reported to the audit committee.

Trustee Donald McCree asked if this work included data security and breaches. In terms of data breaches, Mr. Klein responded that Grant Thornton looks at network design but does not do an in-depth review of firewalls, data security, and reports of breaches.

Representative Barbara Arel noticed the “User Administration – Terminations” observation was recurring from FY 2014 and questioned if management’s response had changed. Associate Chief Information Officer Julia Russell explained last year’s observation was broader and focused more on people changing positions. This year management addressed the terminations piece of the observation.

Representative Wendy Coy asked if there was a process for managing employee terminations in non-centrally managed systems. Ms. Russell responded that the University does not have a good system for removing terminated employees from these systems. She noted that access to these systems is deactivated when a NetID is disabled.

Referring to the “User Administration – Terminations” observation, Vice President Cate clarified that based on University policy, many employees retain their NetID’s after termination for email.

Chief Information Officer and Dean of University Libraries Mara Saule addressed Chair Rocheleau’s question about why five of the six observations were reoccurring from last year by explaining this work is prioritized with Enterprise Technology Services’ (ETS) other projects. Many of the issues are ongoing and being addressed as time permits.

Ms. Esten concluded Grant Thornton’s presentation with a status report on the FY 2015 Financial Statement and A-133 audits. Grant Thornton has begun its fieldwork for the Financial Statement audit. Nothing has been identified that needs to be brought to the Committee’s attention. Concerning the A-133 audit, interim testing is complete and no issues have been identified, however, new Uniform Guidance rules will require additional testing.

Chair Rocheleau observed that the new guidance related to performance of the A-133 audit under the Uniform Guidance rules became available in July for a year that closed in June.

**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 2015 Presidential housing expenditures. Operating expenses totaled $61,385 exceeding the annual budget by $9,796. Mr. Harrison noted the excess was due to a line item for landscaping services in the amount of $15,218 that was not budgeted for at the beginning of the year. Costs associated with Board and Management approved projects were under the $135,000 budget by $41,712.
Chair Rocheleau asked if the Foundation was charged overhead for Foundation sponsored events hosted at Englesby house. Vice President Cate confirmed that the Foundation only covers the direct costs associated with these events.

**Summary Report of Presidential Expenses Reimbursements**

In accordance with the Audit Committee Charter, Vice President for Finance and Treasurer Richard Cate provided the Committee with a summary of the President’s FY 2015 University travel expenses. He verified that the expenses totaling $30,143.53 are consistent with University policy. He noted that these expenses did not include travel for the Foundation.

At Trustee McCree’s request, Vice President Cate will provide the Committee with the overall dollar amount of the President’s travel expenses for the Foundation.

Chair Rocheleau inquired into why the summary of expenses included foreign airfare but no foreign lodging. Vice President Cate responded that the host organization of the meeting paid for the President’s lodging but did not cover his airfare and other travel expenses.

**IT Security and Data Privacy**

Chief Information Officer (CIO) and Dean of University Libraries Mara Saule and Associate CIO Julia Russell provided the Committee with their annual update on the Enterprise Risk Management (ERM) portfolio item: Protected Personal Information Breach.

Ms. Saule began by providing a brief history of information security and data privacy at the University. She noted that the University was ahead of the current trend of combining information security and data privacy under the CIO.

Ms. Saule went on to explain that attempted breaches continue to be a threat to the University and are occurring with increased frequency and sophistication. The University has successfully mitigated attempted breaches with system controls, staff vigilance, and general employee education. She emphasized the importance of employee training as carelessness can put University systems and data at risk.

Ms. Saule turned the presentation over to Associate CIO Julia Russell. Ms. Russell explained that the information security program is in transition between the retirement of Information Security Officer (ISO) Dean Williams and the recruitment of a new Information Security and Privacy Officer. The hope is to have a new Information Security and Privacy officer on board by the end of the year.

Continuing on, Ms. Russell discussed managing privacy and security breach incidents, developing privacy policies, reviewing contracts with third parties, awareness, and training. Ms. Saule emphasized the importance of third party contract review particularly in an Incentive Based Budgeting (IBB) environment. She concluded the update by discussing research data and research data management plans.
Trustee McCree inquired if the University has had a breach of any size. Ms. Saule explained that most of the University’s breaches involved individuals who were careless with their data, laptops, or were misled into exposing their own information.

Trustee McCree followed up by asking if Ms. Saule and Ms. Russell felt their identification and response to the breaches worked as planned. For the example given by Ms. Russell, she felt they had.

President Sullivan asked if any outside hackers have gotten into the University’s system. Ms. Saule responded that there have been attempted attacks but she was not aware of any breaches.

Trustee McCree asked whether the University is prepared for potential information security and data breach incidents in line with other institutions of higher education. In response, Ms. Saule explained that the University had purchased cyber-risk insurance and has been solid in deterring attempts. There are also breach notification guidelines that must be followed to ensure appropriate action is taken. Director of Compliance Services Tessa Lucey added that it is difficult to answer this question because there is no way of knowing when and how an attack will happen, but she felt that the University was on par with other institutions of higher education.

At Chair Rocheleau’s request, Ms. Russell provided an update on the implementation of dual factor authentication and the timeline for the new email and calendaring systems.

**Other Business**

At 10:27 a.m., a motion was made, seconded and approved to go into executive session for the purpose of discussing civil actions, contracts, and the evaluation of public officers or employees, 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 the Trustees, President Tom Sullivan, Vice President for Legal Affairs and General Counsel Fran Bazluke, Vice President for Executive Operations Gary Derr, Chief Internal Auditor William Harrison, Director of Compliance Services Tessa Lucey, Assistant Director of Compliance Services Erica Heffner and Tanya Morehouse of the State Auditor’s Office.

For the second item, Vice President for Executive Operations Gary Derr, Director of Compliance Services Tessa Lucey, and Assistant Director of Compliance Services Erica Heffner were excused and Vice President for Finance and Treasurer Richard Cate, Chief Information Officer and Dean of University Libraries Mara Saule, Associate Vice President for Research Administration Jennifer Gagnon, and Associate Chief Information Officer Julia Russell joined the meeting.

For the final item, all in attendance were excused, with the exception of the Trustees, Chief Internal Auditor William Harrison and Tanya Morehouse of the State Auditor’s Office; Claire Esten of Grant Thornton joined the meeting.

**Adjournment**

The meeting was re-opened to the public at 11:29 a.m.
There being no further business, the meeting was adjourned.

Respectfully submitted,

Dale Rocheleau, Chair