A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on April 25, 2016, at 10:00 a.m. in room 427A Waterman Building.

MEMBERS PRESENT: Chair Bernard Juskiewicz, Vice Chair Jeff Wilson*, Ron Lumbra*, Curt McCormack, Donald McCree*, and Ed Pagano*

MEMBERS ABSENT: Soraiya Thura

REPRESENTATIVES PRESENT: Tanya Morehouse of the State Auditor’s Office, Faculty Representative Barbara Arel, Staff Representative Mindy Kear, and Jacqueline Langham on behalf of Student Representative Roger DaGama

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

PERSONS ALSO PARTICIPATING: President Tom Sullivan, Chief Information Officer and Dean of University Libraries Mara Saule, Chief Internal Auditor William Harrison, Associate Chief Information Officer Julia Russell, University Controller Claire Burlingham, Director of Compliance Services Tessa Lucey, and Claire Esten and Mary Foster of Grant Thornton.

* Participated via teleconference call.

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

Approval of Minutes

A motion was made, seconded and voted to approve the February 4, 2016, meeting minutes.

Grant Thornton’s Presentation of the FY 2016 External Audit Engagement Plan

Claire Esten presented Grant Thornton’s FY 2016 engagement plan. Referring to attachment 2 in the meeting materials, Ms. Esten walked through Grant Thornton’s responsibilities, audit scope, methodology, materiality, and timeline. She noted that the University has two component units, University Medical Education Associates and the University of Vermont Foundation, that are included in its financial statements. These component units are audited by other Certified Public Accounting (CPA) firms and Grant Thornton relies on the work of these firms to complete their audit for the University.

Referring to the projected growth of the UVM Foundation, Trustee Donald McCree asked if there was a threshold at which Grant Thornton could no longer rely on the work of the other accounting firms. Ms. Esten explained that if an entity that Grant Thornton does not audit becomes significant to the overall presentation of the financial statements they would not be able
to issue an opinion because they are not auditing a majority of the financial information. In the case of the Foundation, the University has a special relationship in that its investments are held by the University. As the auditor for the University, Grant Thornton audits this portfolio of investments so this is currently not a concern.

Ms. Esten further explained that the University and Grant Thornton are monitoring the growth of the Foundation because if/when the Foundation becomes large enough to have its own material pool of assets, Ms. Esten will have to revisit her role as principal auditor. Grant Thornton does have the ability work with the Foundation’s audit firm (currently KPMG) such that there might not be the need to do two audits. Grant Thornton would not be able to issue an opinion in the case where an entity they do not audit becomes significant to the overall presentation of the financial statements.

Continuing with the presentation, Ms. Esten reviewed areas of focus highlighting the new Governmental Accounting Standards Board (GASB) Statement 72, Fair Value Measurement and Application that will require the measurement of investments at fair value. She also provided the Committee with an overview of the Uniform Guidance audit and information technology controls testing.

Before handing the presentation over to her colleague, Ms. Esten asked Committee members to contact her if they were aware of any fraud or any heightened risks of fraud at the University.

Chair Juskiewicz commented on the need for clear communication between Grant Thornton and the University to ensure that the University is in line with the new GASB requirements. Ms. Esten commented that they had been in communication about GASB 72 for about two years. She noted the Other Postemployment Benefits (OPEB) standards related to health insurance and other post-retirement benefits are effective June 2017. The OPEB standards will have a bigger impact on the financial statements.

In conclusion, Mary Foster, Managing Director in Grant Thornton’s Higher Education practices, offered the Committee an overview of Grant Thornton’s State of Higher Education in 2016 publication, a link to which was provided in the Committee Orientation materials. She described the current trends in higher education including leadership responding to changing conditions, changes in enrollment and demographics, increasing student outcomes and achievement, an increased focus on the "value" provided by institutions, emerging technology tools to improve academic and operating results, enterprise risk management, and Moody’s outlook changing from negative to stable.

Following Grant Thornton’s presentation, the Chair presented the following resolution for approval:

**Resolution Authorizing Retention of External Audit Firm for FY 2016**

RESOLVED, that the Committee authorizes and directs the Committee Chair to retain Grant Thornton LLP, Certified Public Accountants, to conduct the mandatory annual audit of the financial statements and compliance audits for the fiscal year ending June 30, 2016, in accordance with the fee schedule set forth in Grant Thornton’s proposal for services dated
October 21, 2013. The annual audits shall be conducted in compliance with the requirements of the University Bylaws and state and federal law.

A motion was made, seconded and the following roll-call vote was taken voting on the resolution: Bernard Juskiewicz – Yes, Jeff Wilson – Yes, Ron Lumbra – Yes, Curt McCormack – Yes, Donald McCree – Yes, and Ed Pagano – Yes. The resolution was approved.

**Enterprise Risk Management (ERM) Portfolio Update - Information Security**

Chief Information Officer and Dean of University Libraries Mara Saule introduced the ERM Information Security risk management portfolio item and turned the presentation over to Julia Russell, Associate Chief Information Officer, to provide an update. Ms. Russell offered highlights from attachment 4 in the meeting materials including the successful implementation of the new email and calendaring system as one of the actions taken over the past year to help address this risk. Plans going forward include a pilot procurement workflow for purchasing technology products, the implementation of multifactor authentication, and a funding model to support upgrades to the University’s secure payment card network. In conclusion, Ms. Russell discussed the University’s recruitment efforts to fill the vacant Information Security Officer (ISO) position. The job description will be revised to include the training and advocacy required of this position. A new search will begin shortly.

Chair Juskiewicz inquired if not having an ISO exposed the University’s information security program. Ms. Russell explained that the University’s Information Security Office continues with their work, however the program cannot grow without an ISO.

Trustee Donald McCree questioned if the University had a public relations plan in place for responding to a breach. Ms. Saule and Ms. Russell responded that the University’s Emergency Operations Group (EOG) would assist in responding to a breach.

Chair Juskiewicz asked if the University’s cybersecurity program is ready to meet the challenges of today and tomorrow. Ms. Saule and Ms. Russell explained that the University has a good team and does its best to stay in front of things. However, this risk is ever changing with the increasing number and sophistication of attacks. Ms. Esten noted that from her experience, cybersecurity is one of the top priorities for audit committees.

**Compliance Update**

Director of Compliance Services Tessa Lucey offered highlights from her written Compliance update, included as attachment 5 in the meeting materials. She highlighted work plan efforts in the areas of the Code of Conduct, compliance calendars, export controls, and the Violence Against Women Act (VAWA).

Next, Ms. Lucey reported on the effectiveness of the University’s compliance program modeled on the seven elements of an Effective Compliance Program as outlined by the Federal Sentencing Guidelines. She noted that the new Operational Compliance Committee (OCC) will
meet for the first time in October 2016. In addition, the Office continues to maintain and promote the Ethics and Compliance Reporting and Help Line.

Ms. Lucey concluded her presentation with an update of ongoing programmatic activity.

Chair Juskiewicz questioned if the OCC could accomplish what it needed to meeting only twice a year. Ms. Lucey explained the meetings are designed educate and promote a culture of compliance and to share best practices. While reports and report resolutions are discussed, the OCC does not, as a matter of routine, address specific compliance reports.

In response to Representative Barbara Arel’s suggestion that the OCC should include representatives that work directly with students, Ms. Lucey explained how she planned to grow the committee as it matured.

**Adjournment**

There being no further business, Chair Juskiewicz adjourned the meeting at 11:10 a.m.

Respectfully submitted,

Bernard Juskiewicz, Chair