Chair Dale Rocheleau called the meeting to order at 2:00 p.m.

Approval of Minutes

A motion was made, seconded and voted to approve the November 9, 2015, meeting minutes.

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

Patrick Hitchcock of Grant Thornton reported no significant findings were identified as a result of the procedures performed. Updates to the NCAA bylaws required some changes to the procedures performed.
Presentation of the FY 2015 Office of Management and Budget (OMB) Circular A-133 Audit Report

Claire Esten of Grant Thornton reported on the results of the OMB Circular A-133 audit pertaining to federally sponsored programs. She reported no findings related to compliance and internal control were identified during the audit and University management had successfully remediated the finding reported in the FY 2014 audit. In conclusion, Ms. Esten commended the University on its successful implementation of the new OMB Uniform Guidance.

Proposal to Increase the External Audit Contract Fee Schedule for FY 2015

Associate Vice President for Research Administration Jennifer Gagnon described the additional testing required by the new OMB Uniform Guidance for the A-133 audit. She explained that additional fees for this work could not be determined earlier as the compliance supplement was not issued until the summer of 2015.

Chair Rocheleau presented the following resolution proposing an addendum to the fee schedule for additional services required for the mandatory annual OMB Circular-133 compliance audit for the fiscal year ending June 30, 2015.

Resolution Authorizing an Amendment of the External Audit Contract Fee Schedule for FY 2015

WHEREAS, the Committee authorized and directed 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, 2015, in accordance with the fee schedule set forth in Grant Thornton’s proposal for services dated October 21, 2013.

WHEREAS, Grant Thornton has proposed an addendum to the fee schedule set forth in its proposal for services dated October 21, 2013, to conduct the mandatory annual OMB Circular -133 compliance audit for the fiscal year ending June 30, 2015.

WHEREAS, Management has reviewed the proposed addendum to the fee schedule and recommends an adjustment to the fee schedule of $7,000 plus an administrative charge of 3.5 percent.

RESOLVED, the Committee authorizes the Committee Chair to amend the fee schedule set forth in Grant Thornton’s proposal for services dated October 21, 2013, to conduct the mandatory OMB Circular A-133 compliance audit in the amount of $7,245.

A motion was made, seconded and the following roll-call vote was taken voting on the resolution: Dale Rocheleau – Yes, Bernard Juskiewicz – Yes, Donald McCree – Yes, Ed Pagano – Yes, and Jeff Wilson – Yes.
Internal Audit and Compliance Update

Chief Internal Auditor William Harrison began by providing a brief summary of internal audit activity. Since Mr. Harrison’s last report to the Committee in September 2015, the Office of Audit Services has issued two reports related to an Ethics and Compliance Reporting and Help Line allegation. Mr. Harrison concluded his presentation with an internal audit work plan status update. He plans to share the results of several audits that are at or near completion at the April 2016 Audit Committee meeting.

At Chair Rocheleau’s request, Mr. Harrison confirmed that he received management responses to the recommendations contained in the two most recent reports.

Moving on, Director of Compliance Services Tessa Lucy offered the Committee some highlights from the sixth annual compliance awareness survey. Ms. Lucey explained that this year’s survey was expanded to include four new cohorts. The added cohorts were: part-time staff, part-time faculty, graduate students receiving stipends, and temporary employees. These new cohorts were added primarily because compliance applies to everyone at the University.

The survey results for the historical cohorts made up of full-time staff, full-time faculty, and management showed a slight increase in all three cultural measures and similar or slightly decreased awareness measures from the prior year. As predicted, the combined results of the new and old cohorts showed a decrease in all of the measures; however, the decrease was not as large as expected. Overall, awareness and cultures measures remain significantly ahead of the 2010 benchmark results even with the new cohort results.

Ms. Lucey concluded her presentation with an explanation of how her Office uses the survey results to promote awareness of the Office of Compliance Services and the Code of Business Conduct.

Trustee Ed Pagano commented that awareness of the University’s reporting help line seemed low at 30% compared to the other awareness measures. Ms. Lucey agreed with Trustee Pagano and explained that efforts are underway to promote awareness. As an example, the next compliance newsletter is entirely dedicated to reporting and non-retaliation.

At Chair Rocheleau’s request, Ms. Lucey explained how the University’s Ethics and Compliance Reporting and Help Line works and is administered. She further explained how report closeout is communicated to anonymous and self-reports.

Chair Rocheleau asked if other schools conducted surveys and how the University’s results compared. The only other school Ms. Lucey found that conducted a survey was the University of Pennsylvania. For the questions she could mirror, the results were comparable. Ms. Lucey noted her Office was not aware of any systematic process of measuring the attributes of a compliance program within higher education.
Calendar Year 2015 UVM Risk-Opportunity Portfolio-Register Update

Chief Risk Officer Al Turgeon began by thanking his colleagues Director of Risk Management Mary Dewey and Assistant Director of Compliance Services Erica Heffner for their collaborative contributions to the risk assessment process. He also thanked President Sullivan for his leadership and endorsement of the Enterprise Risk Management (ERM) program.

Mr. Turgeon went on to described the ERM program as mature and commented on how he was now seeing managers, at all levels, thinking about risk and responding to risk in an appropriate manner.

Moving on, Mr. Turgeon explained how the University’s third annual risk assessment process was conducted and reviewed the results depicted in the UVM Risk-Opportunity Portfolio-Register heat map. He noted modest changes to the portfolio-register compared to 2014. Overall, the number of risks and opportunities increased from 50 in 2014 to 52 in 2015.

Mr. Turgeon reviewed the responsible official’s management response plan presentation schedule. This schedule was designed to ensure responsible officials update their assigned Board of Trustee committees on their respective portfolio level risk and opportunities.

Prompted by Chair Rocheleau, Mr. Turgeon explained that the numbers in the parentheticals next to each risk and opportunity in the heat map were references to a risk analysis spreadsheet and had no bearing on the risk or opportunity’s score.

In response to Vice Chair Wilson’s question about what the highest risk was on the heat map, Mr. Turgeon responded that it was deferred maintenance.

Trustee Donald McCree asked if the items listed on the heat map were evaluated before or after any mitigation. Mr. Turgeon explained that each risk and opportunity’s score and placement on the heat map included any mitigation strategies in place at the time of the evaluation. He noted each risk and opportunity is reevaluated annually and may move within or out of the portfolio-register.

Mr. Turgeon clarified for Trustee McCree that the risks and opportunities appearing in the red and green areas of the heat map were the highest risks and opportunities faced by the institution. Chair Rocheleau added that these risks and opportunities require the attention of the Board of Trustees.

As background, Chair Rocheleau explained to the Committee that they were charged with the oversight of the ERM process and for this reason received annual updates. In turn, an ERM report must be provided to the full Board. For this February 2016 Board meeting, the presentation Mr. Turgeon was scheduled to provide to the Committee of the Whole will now be a brief summary given as part of Chair Rocheleau’s Audit Committee update. Chair Rocheleau noted the portfolio level risk and opportunity management response plans are included in the Board materials and provide a good overview of the risks and opportunities being addressed.
Chair Rocheleau further commented that he agreed with Mr. Turgeon’s assessment that senior leaders are comfortable with the concept of ERM and are more risk aware. He thanked President Sullivan, Mr. Turgeon, and all others involved in the ERM process for creating a culture of innovation and prudent risk taking. He noted an example of the programs quality and success was the Federal Highway Administration’s (FHA) adoption of the University’s ERM process.

President Sullivan thanked Chair Rocheleau, his predecessors, and Mr. Turgeon for their leadership and successful implementation of the ERM program. Their spectacular work has transformed the program into an exceptional model now being utilized by others.

**Reporting Compliance Audits and Government Reviews**

Ms. Lucey began her presentation by distributing a revised version of the Reporting Compliance Audits and Government Reviews to the Audit Committee which was updated after the board materials were distributed. She went on to review the draft document which is designed to provide guidance to the Audit Committee Chair and the University Compliance Director when reporting on the status of internal compliance audits and government agency audits, investigations, and reviews to the Audit Committee. The updated version of the document handed out at the meeting added language to the meeting procedures section pertaining to the use of the Executive Session exemption:

“If, during the Executive Session, a Trustee believes that the invocation of Executive Session exemption is not warranted for a particular agenda item, or that the scope of the Executive Session discussion on the agenda item has exceeded the scope of the exemption, that member shall seek recognition from the Committee Chair to cite the reasons why the member believes that the use of the Executive Session exemption is not appropriate and to request that the item be moved to Open Session for discussion. The Chair will put the question to the trustees to decide the issue by majority vote.”

In response to Trustee McCree’s questions about why the reporting guidance document was created, Ms. Lucey and Chair Rocheleau explained it was created to clarify and standardize the process for reporting Compliance issues to the Committee while meeting the requirements of the Open Meeting Law.

Chair Rocheleau thanked Tanya Morehouse of the State Auditor’s Office and the Vermont Attorney General’s Office for their assistance with the creation of the document.

**Report on the Results of the 2015 Audit Committee Assessment Survey**

Chair Rocheleau presented an overview of the results of the 2015 survey, noting that overall, the survey participants agreed that the Committee performs effectively. He highlighted two survey questions related to Committee member participation during meetings and the selection of, and interaction with, the independent auditors where there was some variation in the responses received. Chair Rocheleau felt the results of the survey accurately depicted what he had observed during his timeserving on the Committee.
Other Business

President Sullivan asked the Committee and those in attendance to join him in thanking departing Chair Dale Rocheleau for his service as Chair and longtime member of the Audit Committee.

At 2:55 p.m., a motion was made, seconded and approved to go into executive session the purpose of discussing contracts the evaluation of public officers or employees, and to receive the advice of Legal Counsel, 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, and Tanya Morehouse of the State Auditor’s Office.

For the second item, Vice President for Executive Operations Gary Derr, and Director of Compliance Services Tessa Lucey were excused and Vice President for Finance and Treasurer Richard Cate, Associate Vice President for Research Administration Jennifer Gagnon, and University Controller Claire Burlingham joined the meeting.

For the final item, all in attendance were excused, with the exception of the Trustees, President Sullivan, 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 3:25 p.m.

There being no further business, the meeting was adjourned.

Respectfully submitted,

Dale Rocheleau, Chair