A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on February 2, 2017, at 2:00 p.m. in the Livak Ballroom, Room 417-419 Dudley H. Davis Center.

MEMBERS PRESENT: Vice Chair Jeff Wilson, Ron Lumbra, Curt McCormack, Donald McCree, and Soraiya Thura

MEMBERS ABSENT: Chair Bernard Juskiewicz and Ed Pagano

OTHER TRUSTEES PRESENT: David Daigle

REPRESENTATIVES PRESENT: Tanya Morehouse of the State Auditor’s Office, Faculty Representative Barbara Arel, Staff Representative Mindy Kear, Student Representative Jacquelyn Langham, and Jessica Sheehe on behalf of Graduate Student Representative Phill Munson

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 Francine Bazluke, Vice President for Finance and Treasurer Richard Cate, Vice President for Executive Operations Gary Derr, Vice President of Research Administration Richard Galbraith, Dean of the College of Agriculture and Life Sciences Tom Vogelmann**, Chief Internal Auditor William Harrison, Chief of Staff and Senior Counsel to the President Sharon Reich Paulsen, Assistant Dean of Business Operations of the College of Agriculture and Life Sciences Stephanie Dion**, Senior Associate General Counsel John Collins, University Controller Claire Burlingham, Chief Risk Officer Al Turgeon, Director of Compliance Services Tessa Lucey, incoming Trustee Caitlin McHugh, and Claire Esten* of Grant Thornton.

* Participated via teleconference call and departed the meeting at 2:10 p.m.
** Joined the meeting for executive session.

Vice Chair Jeff Wilson called the meeting to order at 2:05 p.m.

Vice Chair Jeff Wilson began by introducing and welcoming the University’s new Information Security Officer Mark Ackerly.

Approval of Minutes

A motion was made, seconded and voted to approve the November 7, 2016, meeting minutes.
Presentation of the National Collegiate Athletic Association Agreed-Upon Procedures (NCAA AUP) Report

Claire Esten, of Grant Thornton, reported that there were no significant findings identified as a result of the procedures performed and that the report (Attachment 3 of the meeting materials) had been filed with the NCAA.

Vice Chair Wilson thanked Ms. Esten for her service to the University.

Compliance Update

Director of Compliance Services Tessa Lucey presented an overview of the seventh annual compliance awareness survey. Ms. Lucey began by providing background and history of the evolution of the survey. The survey originally included cohorts comprised of full-time staff, full-time faculty, and management. In 2015, the survey was expanded to include cohorts for part-time staff, part-time faculty, graduate students receiving stipends, and temporary employees. The new cohorts were added primarily because compliance applies to everyone at the University.

Continuing on, Ms. Lucey was pleased to report overall increases in both awareness and culture measures. She also addressed the Committee’s comments after last year’s survey report noting the awareness of reporting methods had increased over 50% from 2015. This number rose to 62% after survey participants were shown available reporting mechanisms.

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, reporting mechanisms, and a culture of compliance as well as her long-term goal to benchmark the compliance survey with other universities.

Trustee Soraiya Thura commented that she thought the tables in Ms. Lucey’s report (Attachment 5 of the meeting materials) were very helpful. She noticed that the graduate students receiving stipends cohort had the lowest awareness about compliance reporting and understanding of when a violation occurred. She inquired as to why this group lacked awareness and what was being done to help them. Ms. Lucey explained that graduate students had been identified as a group needing awareness and education training.

Trustee Ron Lumbra asked if Ms. Lucey thought the new Code of Conduct and Ethical Standards Policy would influence the 2017 survey results. Ms. Lucey responded that she hoped the new policy would help survey results as she planned to utilize the new policy as an opportunity for outreach and education.

Calendar Year (CY) 2016 UVM Risk-Opportunity Portfolio-Register Update

Chief Risk Officer 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 acknowledged the Enterprise Risk Management Advisory Committee (ERMAC) and the President’s Advisory Committee on
Enterprise Risk Management (PACERM) for their contributions to the Enterprise Risk Management (ERM) program.

As background, Mr. Turgeon explained that the University began developing its ERM program in 2008. Since then, the program has matured into a model now being utilized by other higher education institutions. He also explained the purpose of the ERM program was to provide the Board of Trustees assurance that management is identifying and responding to the risks and opportunities faced by the institution that could impact the University’s mission, vision, strategic goals and/or competitiveness.

Moving on, Mr. Turgeon stated this was UVM’s fourth-annual risk assessment. He then described the risk assessment process, and reviewed this year’s results using the UVM Risk-Opportunity Portfolio-Register heat map. He explained how each risk and opportunity is scored for impact and likelihood and given an overall score, and how the overall score is reflected on the heat map. Mr. Turgeon went on to say that overall, there were modest changes to the portfolio-register in CY 2016 as compared to CY 2015. He concluded by presenting the reporting schedule of Management Response Plans (MRPs) presentations by Responsible Officials to their assigned Board of Trustees’ committee.

Mr. Turgeon clarified for Vice Chair Wilson that portfolio level risks and opportunities were assigned to Responsible Officials and they are responsible for figuring out strategies to manage the risk or opportunity. He also commented on how the risk assessment process is both formal and linear, and informal and dynamic to address emerging risks and opportunities that arise throughout the year.

Trustee Don McCree complimented Mr. Turgeon on his great work and asked if Mr. Turgeon’s office signed off on the action plans and appropriate timeframes for resolution. In response, Mr. Turgeon explained that he reviewed all the management response plans and offered suggested edits to Responsible Officials. Ultimately, the President decides whether the management response plans are adequate.

At Trustee Curt McCormack’s request, Mr. Turgeon clarified that the time horizon for considering likelihood was on a scale of 1-3 with any risk or opportunity scored a 1 being unlikely or rare, those scoring a 2 were likely to occur in the next 1-5 years and anything scoring a 3 were already occurring or could occur in the next year.

Also at Trustee Curt McCormack’s request, Mr. Turgeon explained that the “Deferred Maintenance” risk was assessed as high impact for its financial impact, and as high likelihood because deferred maintenance is already occurring, which when combined, scored as one of the highest risks in the risk portfolio. He also explained that the “Reduce Energy Costs Further” opportunity was scored lower for impact on the heat map as it has been addressed over time and there are no longer as many impactful projects that would bring further energy savings.

Trustee Don McCree commented on the correlation between the risks and opportunities in the portfolio area of the heat map and Board discussions.
Trustee Ron Lumbra commended Mr. Turgeon on the quality of the ERM program and his materials (Attachment 6 of the meeting materials). He asked Mr. Turgeon about scoring changes and whether they should be a trigger for the Board to focus on. In response, Mr. Turgeon described how portfolio-register scoring changes were made from year to year. Vice President for Finance and Treasurer Richard Cate noted that the scoring was completed from the University’s perspective. For the Committee’s understanding, he used the scoring changes for the Affordable Care Act to outline the elements that contribute to risk.

Vice Chair Wilson commented that he thought Mr. Turgeon’s presentation materials were extremely helpful to senior administration and the Board of Trustees.

**Report on the Results of the 2016 Audit Committee Assessment Survey**

Vice Chair Wilson presented an overview of the results of the 2016 Audit Committee Assessment Survey, noting that overall, the survey participants agreed that the Committee was doing a good job. Any trustee wanting a copy of the survey should contact Chief Internal Auditor William Harrison.

**Executive Session**

At 2:45 p.m., Vice Chair Wilson entertained a motion to enter into executive session for the purpose of discussing the appointment or employment or evaluation of a public officer or employee, a disciplinary or dismissal action against a public officer or employee, confidential attorney-client communications made for the purpose of providing professional legal services, and contracts, premature general public knowledge of which would clearly place the University at a substantial disadvantage. He noted that action is expected following.

All in attendance were excused from the meeting, with the exception of the Trustees, Board Chair David Daigle, President Tom Sullivan, incoming Trustee Caitlin McHugh, Vice President for Legal Affairs and General Counsel Francine Bazluke, Vice President for Executive Operations Gary Derr, Chief of Staff and Senior Counsel to the President Sharon Reich Paulsen, Dean of the College of Agriculture and Life Sciences Tom Vogelmann, Chief Internal Auditor William Harrison, Assistant Dean of Business Operations of the College of Agriculture and Life Sciences Stephanie Dion, Senior Associate General Counsel John Collins, Director of Compliance Services Tessa Lucey, and Tanya Morehouse of the State Auditor’s Office.

For the second item, Vice President of Research Administration Richard Galbraith joined the meeting. Dean Vogelmann and Assistant Dean Dion were excused.

For the final item, Vice President for Finance and Treasurer Richard Cate and University Controller Claire Burlingham joined the meeting. Vice President Galbraith, Senior Associate General Counsel Collins, Director Lucey were excused.

The meeting was re-opened to the public at 3:35 p.m.
Other Business

Vice Chair Jeff Wilson presented the following resolution for approval:

**Resolution Authorizing Selection of the External Auditor**

RESOLVED, that the Audit Committee authorizes and recommends to the Board of Trustees to authorize the Vice President for Finance and Treasurer to enter into a contract to obtain external audit services to conduct the annual financial statement audit and other related audits of the University for five consecutive years during the period January 1, 2017, through December 31, 2021, at a total contract price not to exceed $1,745,000, with continuation of said contract subject to an annual performance review by the Audit Committee; and

BE IT FURTHER RESOLVED, that the annual audit shall be conducted in compliance with the requirements of the University Bylaws and state and federal law.

Vice Chair Wilson offered an opportunity for final comments before seeking a motion to approve the resolution. There being no comments, a motion was made, seconded and the resolution was unanimously approved as presented.

**Adjournment**

There being no further business, the meeting was adjourned at 3:40 p.m.

Respectfully submitted,

Vice Chair Jeff Wilson