The Committee of the Whole of the University of Vermont and State Agricultural College Board of Trustees was held on Thursday, September 4, 2008 at 8:00 a.m., in the Silver Maple Ballroom, Room 401 at the Dudley H. Davis Center.

MEMBERS PRESENT: Chair Ian Boyce, Vice Chair Frank Cioffi, Secretary Bill Botzow, Edwin Amidon, Claire Ayer, Samuel Bain, James Betts, , Harry Chen, Robert Cioffi, , Jason DePatie, Johannah L. Donovan, Daniel Fogel, Martha Heath, John Hilton, Jr., Susan Hudson-Wilson, Debbie McAneny, Beth Rice, Bill Ruprecht, John Snow, Donna Sweaney, Jeanette White and Robert Young.

MEMBERS ABSENT: Jeffrey Davis, James Douglas and James P. Leddy.

ALSO PARTICIPATING: Senior Vice President and Provost John M. Hughes, Faculty Senate President Robyn Warhol-Down, Staff Council President Beth Walsh, Alumni Council President Meg Guzewicz, Student Government Association President Jay Taylor, Graduate Student Senate President Clint Jasperson, Associate Provost Dale Jaffe and Keith Denham and David Abdallah of Deloitte & Touche LCC.

Chair Ian Boyce called the meeting to order at 8:12 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the minutes of the May 16, 2008 meeting as presented.

Chair’s Report (see full report appended to minutes)

President’s Report (see full report appended to minutes)

Governance Leaders Reports

Chair Boyce introduced the revised procedure for reports given by governance leaders and noted that written reports were provided to the Board in their meeting materials. Each governance leader was given an opportunity to offer additional highlights and address questions from the Board.

Chair Boyce asked Faculty Senate President Robyn Warhol-Down to expand upon the recent hire of Professor of English Susanmarie Harrington and her role in the Writing in the Disciplines program. Professor Warhol-Down responded that Professor Harrington’s mission is to train faculty in developing and refining their writing abilities relative to their disciplines.
Trustee Jeanette White asked Staff Council President Beth Walsh if the Council was considering implementing across the entire staff population the voting procedures used for Custodial Plant for the next election. The Custodial Plant had 78% voter participation in comparison to 30% campus wide, with the difference in procedure being that paper ballots were offered and that Staff Council representatives attended their June training session to promote voting. President Walsh indicated the Council was considering expanding these procedures across campus.

Alumni Council President Meg Guzewicz introduced alumni Ted Madden as Vice President of the Council. The Council is continuing to develop a culture of engagement, with a recent success of last campaign’s efforts in reconnecting Alumni and the University. President Guzewicz thanked the Board for recognizing the need to strengthen communication and looks forward to working with Vice Chair Frank Cioffi, whom will serve as Trustee liaison to the Council.

Trustee James Betts suggested the Alumni Council consider regional boards, as opposed to chapters, in order to strengthen ties with underserved areas such as California. President Guzewicz indicated the Council is looking at ways to improve ties with such areas.

Student Government Association (SGA) President Jay Taylor provided several updates to his report. Recently, the SGA branded their web-based management system “The Lynx”. President Taylor also introduced the Amethyst Initiative resolution passed on Tuesday evening by the SGA. This resolution advances for debate the safest and most appropriate age at which alcohol consumption should be lawful Trustee Susan Hudson-Wilson asked if the impetus for the initiative is to change the legal drinking age from 21 to 18. President Taylor responded that the initiative would discuss many options, including reducing the legal drinking age and implementing a program where persons would earn a revocable drinking license through an educational system.

Trustee Clair Ayer asked Graduate Student Senate (GSS) President Clint Jasperson to elaborate on the GSS’s accomplishment of solidifying the process involving graduate student health insurance scholarships. President Jasperson indicated this process was vital, because a considerable portion of stipends go to pay health insurance costs, as graduate students are no longer covered by their parents’ insurance.

Trustee James Betts asked how many graduate students do not have health insurance. President Jasperson indicated the University requires that all full-time students have health insurance. Trustee Beth Rice added that many graduate students are not full-time, as they often take 10 credits per semester, as opposed to the 12 credits required for full-time.

President Jasperson stated that a goal of GSS is to upload “The Paw Book” to their website. This document is an unofficial guide for graduate students regarding the University and Burlington. An electronic copy was made available to the Board via thumb drive.
Review and Approval of the University Strategic Plan 2009-2013

Chair Ian Boyce offered a brief history of the evolution of the University Strategic Plan and asked President Fogel to lead this discussion. President Fogel explained that he had appointed a University Planning Council (UPC) to fine-tune the existing plan shortly after his arrival at UVM in 2002. The proposed revised plan reflects a strong commitment to the University’s historical values, and has received support from faculty administrators, academic leaders, Deans and the Faculty Senate.

A discussion ensued regarding Trustee Debbie McAneny’s suggestion that a sixth goal be added declaring the University’s commitment to strengthen internal controls. President Fogel said this suggestion should be considered in the future, but that the process is now well into completion and it would be difficult to incorporate an additional goal this year. It was agreed that the Board should approve the revised plan as currently presented, and President Fogel accepted the charge to present amendments to the plan based on this discussion to the Board in December.

Trustee John Snow underscored how important it is that the plan includes quantifiable objectives. He also suggested that there be a more specific declaration that the University will reach beyond itself and to the world to increase its global awareness.

Trustee Susan Hudson-Wilson referred to the words ‘public service’ in The Vision Statement and inquired whether the statement was more than ceremonial. President Fogel responded that the University has always been committed to public service, referring to his Signatures of Excellence statement, and citing examples such as the Medical College, Continuing Education, sponsored activities, outreach through major grants, the Rubenstein Echo project, the University Transportation Center and the new Jeffords Center.

Trustee Hudson-Wilson asked for clarification as to whether the stated commitment to public service will require additional resources. President Fogel responded that resources are already embedded into plans, and that the only significant change in the Vision Statement is elimination of the word “public” in reference to the University.

Several Trustees commented on the generality of the plan and stated that it should contain more specifics. Suggestions included that the statement of goals and objectives be more precise and that an implementation plan be appended. President Fogel commented that most documents of this nature are structured similarly, and that the plan states broadly the general direction of the University.

Trustee Jeanette White inquired to the logistics of amending the plan and expressed surprise that the role of the Board is only to approve -- rather than engage in the crafting of the plan. President Fogel explained that peer institutions utilize the same process, but acknowledged her remarks.

Trustee Martha Heath inquired as to what the role of the Board is in the development of performance indicators. President Fogel answered that the Board set direction through discussion such as that in progress and in the Board’s own strategic plan. Trustee Heath encouraged that the
Board be engaged early enough so that it can participate in guiding, rather than changing proposed, indicators.

Provost John Hughes explained that the next step for the plan, once Board-approved, will begin this fall: he will consult with the University Planning Council (UPC) to appoint working groups for each objective and the groups will develop specific plans to accomplish the assigned goal. Provost Hughes invited Associate Provost Dale Jaffe to field additional questions.

Associate Provost Jaffe first noted that the Board had inadvertently received an older version of the plan in its materials, and the most version of the draft was distributed. He clarified that trustees had in fact received the correct version for advance review electronically, and that the Educational Policy and Institutional Resources Committee reviewed the most recent document in May. Associate Provost Jaffe further explained that two objectives have been added, addressing global commitment and public service.

The discussion concluded with Trustees agreeing to advance the Plan and directing the administration to propose amendments consistent with their comments.

Chair Boyce presented the following resolution:

**Resolution Recommending Approval and Adoption of University Strategic Plan**

WHEREAS, following extensive consultation with the University community, the administration now presents to this Committee for review and approval a Strategic Plan for the years 2009-2013; and

WHEREAS, the document contains plans and proposed actions designed to position the University strategically for the future;

NOW, THEREFORE BE IT RESOLVED, that the Committee hereby recommends Board approval and adoption of the Strategic Plan; and

BE IT FURTHER RESOLVED, that the Committee recommends that the Board request the President to report periodically on institutional progress toward the goals the Strategic Plan establishes; and

BE IT FINALLY RESOLVED, that the Committee recommends that the Board request the President to seek Board approval of modifications to the Strategic Plan as necessary or desirable in light of developments and experience gained.

A motion was made, seconded and all voted in favor of approving the resolution.
Annual Review of Strategic Plan of the Board

Chair Boyce referred to Attachment 9 and highlighted the proposed change that the Board’s Strategic Plan align with the University’s Strategic Plan. An opportunity for questions was offered and there being none, a motion was made, seconded and unanimously voted to reaffirm the plan.

Audit Report/Recommendation

Deloitte & Touche LLP, an external audit firm retained by the Board’s external legal counsel Dinse, Knapp & McAndrew to investigate concerns related to unauthorized transactions next was invited to present its findings and recommendations to the Board. Chair Boyce introduced Keith Denham and David Abdallah, representatives from the firm.

Mr. Denham indicated that the firm was charged with two main objectives: to perform a root cause analysis of how unapproved spending occurred and to identify internal control failures relating to such spending.

A senior team from Deloitte & Touche performed the audit. The process included interviews and background checks of key personnel and third parties, which occurred over the period of June 16 - August 1, 2008. The team also gathered and analyzed electronic files from the Financial Record System (FSR) and PeopleSoft accounting systems in use between July 2004 - April 2008. Additionally, the firm reviewed internal control procedures, assessed procurement processes, and evaluated additional information gathered from interviews.

Following this investigation, the firm made the following observations:

- Three out of six contracts created with Huron Consulting lacked Board approval or legal counsel involvement. Additionally, actual expenses for services provided by Huron exceeded amounts estimated in the contract agreements.
- Data analysis identified several contracts with other vendors that did not comply with the University’s procurement policies.
- Control and process level breakdowns occurred in many areas including the sourcing, contracting, vendor set-up, Purchase Order creation, and invoicing and payment functions.
- Although the firm identified disbursements that were made without required approval, the team did not identify any disbursements made for non-University purposes. Mr. Denham emphasized that there were no fraudulent disbursements uncovered in the report.
- The budget creation process lacks transparency between the Division of Finance and Administration and the Board.
- There is lack of compliance with various University policy requirements on procurement and approval authority.
- Opportunities to make process improvements in various areas were not applied during the PeopleSoft implementation and continue to be under-utilized.
• Outside of the immediate scope of the investigation, the firm called attention to issues relating to budgeting processes for academic units, PeopleSoft implementation issues, Treasury operations, and Grant and Contracts Accounting process controls.

Deloitte & Touche made the following recommendations to address the aforementioned issues:

• The University should re-evaluate the overall internal controls structure and environment and test and review such controls regularly. The recommendations provided by the National Association of College and University Business Officers (NACUBO) on improvements to the overall control environment and governance process at colleges and universities can be used as guidance.
• The University should create a more standardized and transparent process for reporting to the Board’s Budget, Finance and Investment committee.
• University employees involved in procurement and budgeting need to be trained on the University’s policies regularly. Additionally, the management should design and implement procedures requiring compliance with policies.
• The University should access automated controls available within PeopleSoft.

Chair Boyce opened the meeting to questions and reminded Trustees that discussion regarding personnel issues must be reserved for executive session.

There were several inquiries as to whether the University had appropriate policies already in place. Mr. Denham replied that, from a policy standpoint, the firm had no recommendations; the cited problems related to compliance. He also indicated that some employees were aware of the non-compliance, but others appeared unaware of University procurement policies.

Trustee Bill Ruprecht inquired if staff seemed reluctant to cooperate with the investigation. Mr. Denham responded that everyone was cooperative and supportive.

A question arose as to whether the issues cited should have been identified in the external audits which are performed annually. Mr. Denham declined comment, stating that he does not have information as to the scope or processes of the annual audits.

Trustee Jim Betts characterized the findings and recommendations as an opportunity for rehabilitation and a basis to encourage the University to examine internal control and process issues across all units under the purview of the VP for Finance and Administration as well as academic units.

Chair Boyce called on Interim Vice President for Finance and Administration Richard Cate. Vice President Cate indicated that his Division is working to address issues the report identifies in all areas under his jurisdiction and that he will report to the Board on progress as well as provide a formal response to the report findings.

Trustee Bill Ruprecht suggested that risk assessments are most important to the matters at hand. Trustee John Snow observed that risk assessment is already being undertaken. He also stated that there are obvious gaps that need to be addressed, and that it is crucial that the University commit
to the culture of compliance. He emphasized that the Board must convey that it will not condone non-compliance.

The discussion concluded and Chair Boyce read a draft resolution acknowledging receipt of the Deloitte report and authorizing further action as necessary and identified by the Audit committee. Trustees raised questions regarding the process by which the proposed scope of work for any additional external consultant services would be determined. The Board directed the administration to revise the resolution to clarify the process and present the revised draft for consideration by the Board the following day.

Trustee Susan Hudson-Wilson thanked Deloitte & Touche for its excellent job. Chair Boyce also acknowledged the Audit RFP Subcommittee for its extraordinary work.

Chair Boyce recessed the meeting at 11:00 a.m. and announced the meeting would reconvene on at 8:00 a.m. on the next morning, in the same location, to conclude its business.

At 8:11 a.m. on Friday, September 5, 2008, Chair Boyce reconvened the meeting.

MEMBERS PRESENT: Chair Ian Boyce, Vice Chair Frank Cioffi, Secretary Bill Botzow, Edwin Amidon, Claire Ayer, Samuel Bain, James Betts, Harry Chen, Robert Cioffi, Jason DePatie, Daniel Fogel, Martha Heath, John Hilton, Jr., Susan Hudson-Wilson, Debbie McAneny, Beth Rice, Bill Ruprecht, John Snow, Donna Sweaney, Jeanette White and Robert Young

MEMBERS ABSENT: Jeffrey Davis, Johannah L. Donovan, James Douglas and James P. Leddy

ALSO PARTICIPATING: External Counsel Jeff Nolan and Brian Murphy of Dinse, Knapp and McAndrew and General Counsel Francine Bazluke.

Approval of Charge of and Appointments to the ad hoc Committee on Trustee Recruitment

In follow up to a recommendation that emerged from the Board retreat this summer, Chair Boyce reported that he would be appointing an ad hoc committee to examine issues associated with new trustee recruitment, and presented the following resolution for approval:

**Resolution Approving Charge of and Appointments to the Ad Hoc Committee on Trustee Recruitment**

RESOLVED, that the Board of Trustees approves the appointment of Susan Hudson-Wilson, John Snow, Claire Ayer, Jeanette White, Frank Cioffi and Jason DePatie to the ad hoc Committee on Trustee Recruitment and the charge of the ad hoc Committee on Trustee Recruitment as set forth in Attachment A.

A motion was made, seconded and all voted in favor to approved the resolution.
Approval of Amended Trustees’ Statement of Responsibilities

Chair Boyce referred to Attachment 10 and sought a motion to approve the amended Statement of Trustees Responsibilities as recommended by the committee on Board Governance.

A motion was made, seconded and all voted in favor to pass the amended document.

Educational Policy and Institutional Resources Chair’s Report

Chair Martha Heath reported on the Committee’s discussion on differential tuition at the undergraduate level. Provost John Hughes explained that the University is exploring options of charging differential tuition in order cover the direct costs of instruction, which are not uniform across the various disciplines or colleges/schools. Provost Hughes will seek input from campus leaders regarding the proposal.

Budget, Finance and Investment Chair’s Report

As a result of EPIR Committee members being present at the BFI meeting, Chair Debbie McAneny indicated that, at the meeting, discussion had ensued regarding the 2009 budget and borrowing from Treasury operations.

Other Business

At 8:19 a.m. Chair Boyce entertained a motion to enter into executive session to consider contracts and the evaluation of public officers. President Fogel was recused and external Counsel Jeff Nolan and Brian Murphy joined for the first topic. At 9:03 a.m., President Fogel and General Counsel Francine Bazluke were invited to participate in a portion of the remaining executive session.

The meeting was reopened to the public at 11:05 a.m.

Adjournment

There being no further business, the meeting was adjourned.

Respectfully submitted,

Bill Botzow, Secretary
Chair’s Report
Meeting of the Board September 4th, 2008

Good morning and welcome to the fall meeting of the Board of Trustees. Like clockwork, the arrival of fall ushers in the beginning of a new school year. Our students are back and are settling into both new and familiar surroundings. Our faculty greet the new academic year prepared again to teach, continue their research, and provide direction to our undergraduate and graduate students. Our staff has readied the campus for the intense activity we see all around us. And so begins another school year and a tradition that began in 1791 continues.

Earlier this week, the campus hosted yet another successful Convocation, an event that renews the sense of excitement around our campus and continues a tradition that I hope endures as a long-lasting legacy at UVM. Building on our success of last year, the campus welcomed 2,450 new students to the UVM family, along with hundreds of transfer students, new graduate and professional students, and new faculty and staff. Although I was unable to attend, I was told by my colleagues on the Board of the palpable excitement in Patrick Gym and the inspiring sight of the parade of students walking down Main Street to the University green. Let me take this opportunity now on behalf of the Board of Trustees to welcome them all to UVM. We are happy they are here and we look forward to sharing in their development and personal accomplishments in the future.

With the change of seasons and the start of classes, we as a Board are provided with a reminder of our core mission - to formulate policies and provide strategic decision-making to an institution and its management that seeks to provide an extraordinary educational experience for students. Despite the summer break, this Board has been extremely busy. Two issues of strategic and fiduciary importance have primarily pre-occupied the Board’s time and energy and I’d like to speak to each of them now.

First to the Audit. In April of this year, the Board was made aware by management of certain unauthorized expenditures related to contracts with Huron Consulting, an outside consulting firm, hired to assist us with the PeopleSoft implementation. Specifically, although the Board was aware that the Administration needed to hire a consultant to assist with the PeopleSoft implementation, appropriate authorization of the expenditures related to the contracts with the consultants was not obtained from this Board or the President. The fallout from this lack of compliance with existing internal policies and procedures contributed to budget shortfalls for fiscal years 2008 and 2009.

In response to this systemic and fundamental breakdown of our internal controls, the Board acted promptly and responsibly. In my report to the Board in May, I promised a full and thorough investigation of the facts. In early June, a small sub-committee of Audit was convened to develop a request for proposals (RFP) to define the scope of work for the review of internal controls and facts surrounding the Huron contracts. After the careful vetting of nine national accounting firms, the recommendation of Deloitte & Touche LLC, out of Boston, was made to the Board’s executive committee.
Later this morning you will hear a report prepared for this Board by Deloitte and their lead investigative partner, Keith Denham, outlining their findings. In advance of that presentation, I would like to share some important facts with you.

1. Despite significant costs associated with these specific contracts, all contracted work was legitimate and necessary to ensure optimal operation of critical financial and human resource systems.
2. The Audit did not identify any money spent for personal gain or non-university purposes. Nor did it identify any issues of fraud.
3. These findings do not in any way have an impact on the legitimacy of our financial statements from previous years.

Although Keith will delve into the specifics of the Audit report later on, the extent of these breaches brings into question the effectiveness of our internal controls and the culture within the control environment that allowed this situation to occur.

Additionally, the Board’s fiduciary oversight fell short in this situation, for which we as a Board must accept responsibility. I can assure you that the seriousness of this event has not been taken lightly by this Board, or by President Fogel, and we have a strong commitment to fixing the identified problems promptly and to ensuring that there is a culture of accountability that begins at the very top with this Board and transcends this organization.

At the conclusion of this meeting members of the executive committee will be convened to work with management on a collective response to the Audit’s findings and a detailed action plan with a timetable for implementation will be formulated no later than the October meeting of the executive committee.

These challenges should also be viewed as an opportunity. I certainly see it that way. As a Board, these items strike at the core of our fiduciary responsibilities and we must not rest until they are fully resolved. As chair of this Board, I assure you that we will correct these flaws in operational culture and practice and with your collective wisdom and perseverance, I am confident that we will be a better University as a result.

The second item that has garnered the Board’s attention is the Budget. The unbudgeted expenses related to the Huron contracts and other items such as small capital projects, combined with the challenge of correcting the practice of funding ongoing expenses with anticipated one-time revenues, have made the budget picture very difficult. In addition, we recently were notified by the state that in response to a shortfall in revenues our appropriation will be reduced by 2.5% or $1M, with reports in the media indicating that there may be more bad news for state revenue projections down the road.

We are very grateful for the money we receive from the state of Vermont, particularly as institutions around the country are facing even larger cuts in their state appropriation budgets. However, we must come to terms with some harsh realities as we face additional budget challenges in the future. It will entail making difficult choices about our operational model as we focus on cutting costs and identifying alternative revenue sources to balance future budgets.
I want to commend Richard Cate, Ted Winfield and their team for working very diligently to identify the unbudgeted revenues and expenses and for working closely with the senior leadership of the Budget, Finance and Investment committee to come up with a plan to true up the accounts for fiscal years 07 and 08. Later on this morning in BFI you will hear from Richard and his team relative to their strategies for truing up the accounts and their progress on the FY 09 budget.

Earlier this summer the Board also participated in their biennial retreat in Stowe. As always, the focus was on Board effectiveness and issues of strategic importance. Several positive recommendations emerged from the retreat which I would like to touch on briefly.

1. Later this morning I will be asking the Committee of the Whole to authorize a resolution to convene an ad-hoc committee to identify the qualifications necessary to be an effective trustee on this Board. As a Board, we have recognized for some time that this institution is growing more and more complex. As such, it is increasingly necessary that the Board seek to recruit trustees that have the skill sets to address the diversity of issues that UVM will continue to face. The ad hoc committee will be comprised of members from all (4) of the Board’s sources of appointment—legislative, private, gubernatorial and student—and it will be the first time that I am aware of that all four groups will work together to identify the important qualifications necessary to govern this university. We all look forward to seeing the product of their work.

2. In concert with the points raised above about difficult choices and cost reduction, tomorrow afternoon President Fogel will facilitate a discussion around institutional costs and national trends.

3. Dan’s presentation will be combined with one from Dale Jaffe, Associate Provost of Planning and Assessment, who will introduce trustees to issues of academic quality and assessment. This Board is very much looking forward to hearing more about both topics.

Despite the challenges listed above, this institution continues to function at a very high level and is in sound financial health. Once again we have attracted a very bright and diverse mix of students to UVM and we continue to garner national acclaim in many categories which Dan will mention in his remarks.

Before I close I would like to welcome and acknowledge the emeriti trustees who are in our presence today. We appreciate your taking the time out of your schedules to re-connect with UVM and its mission. May I take a moment to ask those of you in attendance today to stand up and be recognized by the entire University community? On behalf of the current Board of Trustees we welcome you and thank you for your past and present service to the University. For those not currently involved with the university we hope to re-engage you. I look forward to visiting with all of you over lunch tomorrow and to hearing your impressions of what has changed since you left the Board, along with any thoughts, advice, accolades, or criticisms you may have for us.

Finally to the current group of Trustees, you continue to impress me, and I am deeply grateful to each of you. You are a dedicated bunch. Throughout the challenges of recent past, each of you has reached out in support of the institution we know and love. You continue to ask the very
difficult questions and have worked constructively to find viable solutions. I can’t thank each of you enough for your tireless commitment to our University. Together I know we will persevere.

And this completes my report.
Chairman Boyce, trustees of the University of Vermont, emeritus trustees, faculty, staff, students, alumni, and friends, this University has seen very good days over the course of the last six years, building academic quality, enhancing its value for all members of the UVM family and for the citizens of Vermont, and rising by many measures in visibility and reputation among the nation’s institutions of higher learning. Even so, the unanswered question through all of the good years has been whether UVM could and would continue to advance when times were not so good, when things did not go so smoothly on campus and in the larger world.

My answer to the question is this: we can and we will sustain our advance. I also offer, however, this cautionary note: while the invest-and-grow strategy has served us well, the circumstances in which we are now operating call for moving forward more deliberately, conserving precious resources, containing costs wherever possible, and focusing effort and resources intensively on programs and initiatives that will unquestionably enhance academic quality and the experience of students, faculty, and staff; that will make UVM a more competitive and attractive environment for learning, for discovery, and for academic, professional, and personal growth; and that will effectively and efficiently support scholarship and service, including service to the State of Vermont.

We must thus prepare ourselves to make difficult decisions among many appealing and seemingly pressing options, with recognition that our human and financial resources are limited. In short, only through the exercise of a strategically concentrated resolve will we be able to preserve and consolidate the gains we have made to date and lay a secure foundation for the next phase of UVM’s advance.

The budget proposals you will consider today and tomorrow embody this urgent imperative for focus and discipline. The proposal for a revised 2009 budget, along with the measures we have taken for the reconciliation of the FY 2007 and 2008 budgets, represent an effort, led by Interim CFO Richard Cate, to true up all University accounts with respect to the unbudgeted consultant expenditures and to replace the practices that led to these budgetary circumstances with better-grounded managerial accounting. For example, we are ending the custom of making one-time and recurring non-base budget commitments against hoped-for excess revenues—from now on all expenditures will be tied to specified, adequate, and certified sources of funds. That we have been able to address the issues for fiscal years 2007, 2008, and 2009 through a combination of cost containment (including budget cuts to administrative and support units necessitated by last week’s cut in UVM’s State appropriation) and draws on available unrestricted reserve funds indicates the strong financial management skills Mr. Cate has brought to our effort as well as the underlying fiscal health of the University. We recognize, however, that we cannot continue to draw on one-time funds from reserves to address recurring expenditures in the years ahead. Consequently, the challenges we will be tackling in fiscal years 2010, 2011, and 2012 will require the exercise of discipline and constraint to ensure our continuing success.
The shortfalls in financial management and internal controls highlighted in the report of the independent audit that comes before the Board at this meeting are inextricably linked with the spending practices that led to the budget status I just described. As to both, I say this: as CEO, I am personally accountable for the shortcomings in our practices and customs, as well as for the organizational culture in which they occurred. I view the recommendations of the Deloitte report as welcome signposts to set direction for new protocols and I am determined to ensure that those protocols meet the highest best-practice standards. Fueled by my own resolve, your continuing guidance, and the concerted efforts of my administration, I have confidence that we will reach this objective with dispatch and transparency.

We surely face internal challenges and significant adverse external economic and demographic trends. Despite these obstacles, we nonetheless find ourselves at a high watermark in UVM’s history. We face a Dickensian paradox: this is simultaneously the best and the worst of times. What a joy it was at this week’s inspiring Convocation to greet the most talented, diverse class in UVM’s history, born of what was by far our largest applicant pool! How heartening it is to see faculty research and scholarship resurgent in a funding environment more competitive than ever before. And how important it has been to see, during the last few months, UVM advance in ranking after ranking, including high marks for our academic quality, for a variety of programs and initiatives, and for the stellar success of our graduates, all of which I reported in the welcome back letter I sent to the UVM community last week.

Today and tomorrow, we will consider topics that bear directly on the imperative that we build on UVM’s strong foundations with unremitting attention to quality and do so by focusing effort and resources on the highest strategic priorities. The new University Strategic Plan calls on us to be “creative, focused, and resourceful” within a conceptual framework that demands that tough choices be made in support of academic quality and in advancement of our vision of preeminence “in our comprehensive commitment to liberal education, environment, health, and public service.” The trustee education modules offered tomorrow will address costs and their relation to the production of quality and academic program review; both topics underscore the challenges and difficult decisions that lie before us. The extended discussion topic for Educational Programs and Institutional Resources on differential tuition is another example of this work. And, finally, the examination of budget and financial controls issues is critically important to the continuing fiscal health and integrity of the University.

In his recent book *The Post-American World*, Fareed Zakaria writes that “Higher education is America’s best industry.” America’s colleges and universities are indeed widely acknowledged to be the best in the world. External validation tells us that UVM now stands—by a variety of measures—among the best of the best. Despite the challenges that lie before us, I believe with all my intellect and all my heart that UVM belongs in the forefront; that the quality, the value, and the position we have attained are sustainable; and that with focus, discipline, and the continuing talent, energy, enthusiasm, commitment, and hard work of our faculty, staff, students, alumni, friends, and this Board, we will strengthen the solid foundations underlying our efforts today.

At this critical juncture, it is with humility and resolve that I thank this Board for the opportunity to serve the University of Vermont, and express my deep gratitude to my colleagues...
for their past, present, and future contributions to UVM’s continuing advance. I have every confidence that UVM will enjoy continuing success and prosperity through discipline, hard work, and fidelity to our most important institutional priorities. Thank you.