

**AUDIT COMMITTEE  
BOARD OF TRUSTEES  
UNIVERSITY OF VERMONT AND STATE AGRICULTURAL COLLEGE**

A meeting of the Audit Committee of the Board of Trustees of the University of Vermont and State Agricultural College was held on April 16, 2018, at 10:00 a.m. in room 427A Waterman Building.

MEMBERS PRESENT: Chair Bernard Juskiewicz, Otto Berkes\*, Sidney Hilker, Curt McCormack, and Ed Pagano\*\*

MEMBERS ABSENT: Vice Chair Jeff Wilson and Shap Smith

OTHER TRUSTEES PRESENT: David Daigle\*\*\* and Ron Lumbra\*

REPRESENTATIVES PRESENT: Staff Representative Mindy Kear and Joey Campbell on behalf of Graduate Student Representative Phill Munson

REPRESENTATIVES ABSENT: Faculty Representative Barbara Arel, Student Representative Jamie LaPierre, Vermont State Auditor Douglas Hoffer, Tanya Morehouse of the State Auditor's Office, and Alumni Representative (appointment pending)

PERSONS ALSO PARTICIPATING: President Tom Sullivan, Vice President for Finance and Treasurer Richard Cate, Chief Information Officer and Dean of University Libraries Mara Saule, Chief Internal Auditor William Harrison, Deputy General Counsel John Collins, University Controller Claire Burlingham, Chief Risk/Public Safety Officer Al Turgeon, Director of Compliance Services Tessa Lucey, Information Security Officer Mark Ackerly, and Renee Bourget-Place, Sara Timmerman, and David Gagnon\*\*\*\*\* of KPMG.

\* Participated via teleconference

\*\* Participated via teleconference until 11:00 a.m.

\*\*\* Participated via teleconference and joined the meeting at 10:35 a.m.

\*\*\*\* Participated via teleconference until 10:40 a.m.

Chair Bernard Juskiewicz called the meeting to order at 10:00 a.m. He welcomed new trustees Otto Berkes and Sidney Hilker.

### **Approval of Minutes**

A motion was made, seconded and voted to approve the February 1, 2018, meeting minutes.

### **Presentation of the Fiscal Year (FY) 2018 External Audit Engagement Plan**

Referencing Attachment 2 of the meeting materials, Lead Audit Engagement Partner, Renee Bourget-Place, began by reviewing KPMG's plan for the FY 2018 audit engagement including the scope of work and the members of the client services team.

Next, Ms. Bourget-Place turned the presentation over to Lead Audit Engagement Manager, Sara Timmerman, who walked through KPMG's audit approach and timeline. Ms. Timmerman also reviewed KPMG's preliminary risk assessments including significant judgments and estimates, significant activities, and information technology matters.

Moving on, Ms. Timmerman explained that KPMG plans to audit one major program, the Research and Development cluster, during the Uniform Guidance (UG) audit. Ms. Bourget-Place further explained that it is a UG requirement that major programs are audited every three years; therefore, the Student Financial Assistance (SFA) cluster will be audited in FY 2019.

David Gagnon, Engagement Quality Control Review Partner for the UVM Audit and KPMG's National Audit Leader for Higher Education, concluded KPMG's presentation with an update on the state of the higher education industry. Referencing Attachment 2, Mr. Gagnon offered highlights from Moody's outlook on higher education, fall 2017 enrollment statistics, perspectives on enrollment challenges and opportunities, the reauthorization of the Higher Education Act, the Association of Governing Boards of Universities and Colleges (AGB) and United Educators (UE) survey of risk management in higher education, emerging technology matters including financial aid data security, and audit committee focus areas.

Mr. Gagnon ended with a review of Governmental Accounting Standards Board (GASB) statement changes. In particular, GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions will become effective beginning FY 2018 and will have a significant impact on the University's Financial Statements.

Following KPMG's presentation, Chair Juskiewicz presented the following resolution for approval:

**Resolution Authorizing Retention of External Audit Firm for FY 2018**

WHEREAS, at its February 2, 2017, meeting the Audit Committee authorized and recommended 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

WHEREAS, KPMG LLP has proposed an addendum to the fee schedule set forth in its proposal for services dated December 2, 2016, to conduct incremental audit effort for the mandatory annual audit of the financial statements for the fiscal year ending June 30, 2018; and

WHEREAS, Management has reviewed the proposed addendum to the fee schedule and recommends an adjustment to the fee schedule of \$12,000;

BE IT RESOLVED, the Committee authorizes the Committee Chair to amend the fee schedule set forth in KPMG LLP's proposal for services dated December 2, 2016, to conduct the mandatory annual audit of the financial statements in the amount of \$12,000; and

BE IT FURTHER RESOLVED, the Committee authorizes and directs the Committee Chair to retain KPMG LLP, to conduct the mandatory annual audit of the financial statements and compliance audits for the fiscal year ending June 30, 2018, in accordance with the fee schedule set forth in KPMG's proposal for services dated March 15, 2018; 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.

A motion was made, seconded and it was unanimously voted to approve the resolution as presented.

### **Compliance Update**

Director of Compliance Services Tessa Lucey offered an update on Compliance Program activity since the November 2017 Audit Committee meeting. Referring to her presentation slides (Attachment 5), Ms. Lucey began by providing a work plan status report and summary of her office's work on its work plan items. Ms. Lucey then outlined her office's activities as they relate to the Seven Elements of an Effective Compliance Program as outlined by the Federal Sentencing Guidelines to which the University's Compliance Program is modeled.

Ms. Lucey finished her presentation with an overview of ongoing programmatic activity for the privacy program, outreach, community service, and consultations and contingent activities.

### **Information Technology (IT) Request for Proposal (RFP) Update**

Chief Internal Auditor Bill Harrison offered an update on the IT RFP for external IT services. Mr. Harrison explained that the focus of this work will be on information security and data governance and will also include recommendations on how to establish a permanent IT audit function at the University. A vendor has been selected and Mr. Harrison is working with Purchasing Services to finalize the purchasing process.

### **Review of Calendar Year (CY) 2018 Enterprise Risk Management (ERM) Process**

Chief Risk/Public Safety Officer Al Turgeon began by explaining that the purpose of his presentation was to help the Committee fulfill its ERM oversight responsibilities and provide an opportunity for the Committee to weigh-in on the process. As background, Mr. Turgeon provided a historic overview of the program and explained how ERM at UVM is a collaborative effort. He reminded the Committee that the purpose of the ERM program was to provide the Board of Trustees assurance that management is identifying and responding to material risks and

opportunities that could impact the University's mission, vision, strategic goals, reputation and/or competitiveness.

Referring to Attachment 6 of the meeting materials, Mr. Turgeon reviewed the ERM governance structure and how the annual risk assessment process resulted in the creation of the risk-opportunity register-portfolio, heat map, management response plans for all the highest risks and opportunities, and management response plan reporting schedule to the Board of Trustees.

Recognizing Title IX Sexual Assault Policy Compliance as a high-level risk on the CY 2017 Risk-Opportunity Portfolio-Register heat map, Chair Juskiwicz requested that the responsible officials provide an update to the Committee at a future meeting.

Mr. Turgeon acknowledged Chair Juskiwicz's concerns about the reauthorization of the Higher Education Act and suggestions to give it more prominence in the next heat map.

### **ERM Update: Information Security**

Chief Information Officer and Dean of University Libraries Mara Saule introduced the ERM risk management portfolio item Information Security and turned the presentation over to Information Security Officer Mark Ackerly to provide an update on the University's Information Security program.

Referencing Attachment 7 of the meeting materials, Mr. Ackerly offered an overview of compromised account activity and reviewed key enterprise threats such as vulnerability management, malware and malicious attacks, as well as the growing regulatory environment. In conclusion, he discussed work being done to address these key threats including enterprise risk assessments, vendor management, collaborative sharing, and incident response plans.

### **Audit Committee Work Plan Update**

Chief Internal Auditor Bill Harrison noted three changes to the 2018 Audit Committee work plan: (1) alignment with the Enterprise Risk Management (ERM) Board reporting schedule that was presented to the Committee at the February 2018 meeting, (2) a presentation on the ERM register risk Enhance Safety Culture was added to the July 2018 meeting, and (3) the date of the November Audit Committee meeting moved from the 19<sup>th</sup> to the 5<sup>th</sup>.

### **Executive Session**

At 11:20 a.m., Chair Juskiwicz entertained a motion to enter into executive session for the purpose of discussing confidential attorney-client communications, 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 Finance and Treasurer Richard Cate, Chief Internal Auditor William Harrison, Deputy General Counsel John Collins, and Director of Compliance Services Tessa Lucey.

The meeting was re-opened to the public at 11:28 a.m.

**Adjournment**

There being no further business, the meeting was adjourned.

Respectfully submitted,

Chair Bernard Juskiewicz