

**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 July 9, 2018, at 10:00 a.m. in room 427A Waterman Building.

MEMBERS PRESENT: Chair Bernard Juskiewicz, Vice Chair Jeff Wilson¹, Sidney Hilker¹, Ed Pagano¹, and Shap Smith

MEMBERS ABSENT: Otto Berkes and Curt McCormack

REPRESENTATIVES PRESENT: Faculty Representative Barbara Arel and Graduate Student Representative Aayudh Das

REPRESENTATIVES ABSENT: Staff Representative Mindy Kear, Student Representative Jared Percoco, Vermont State Auditor Douglas Hoffer, and Alumni Representative (appointment pending)

PERSONS ALSO PARTICIPATING: President Tom Sullivan², Simeon Ananou Chief Information Officer, Vice Provost for Student Affairs & Deputy Title IX Coordinator Annie Stevens³, Chief Internal Auditor William Harrison, University Controller Claire Burlingham, Chief Risk/Public Safety Officer Al Turgeon, Director of Transportation and Parking Services Jim Barr⁴, Director of Risk Management and Safety Mary Dewey, Director of CATCard Services Mark McKenna⁵, Director of the Office of Affirmative Action and Equal Opportunity & Title IX Coordinator Nick Stanton, and Chief/Director Police Services Lianne Tuomey⁶

¹ Participated via teleconference

² Participated until 11:15 a.m.

³ Participated until 11:05 a.m.

⁴ Joined the meeting at 10:25 a.m.

⁵ Joined the meeting at 10:10 a.m.

⁶ Joined the meeting at 10:35 a.m. and departed at 11:45 a.m.

Chair Bernard Juskiewicz called the meeting to order at 10:00 a.m. He began by welcoming Graduate Student Representative Aayudh Das to the Committee.

Approval of Minutes

A motion was made, seconded and voted to approve the April 16, 2018, meeting minutes.

Introduction of the Chief Information Officer

Chair Juskiewicz introduced and welcomed Simeon Ananou as the University's new Chief Information Officer.

Fiscal Year (FY) 2018 Financial Statement/Uniform Guidance Audit Status Report

University Controller Claire Burlingham provided a brief status report on the FY 2018 financial statement and Uniform Guidance audits. Ms. Burlingham reported that KPMG completed their interim fieldwork for both audits and no issues of note were identified.

Governmental Accounting Standards Board (GASB) Update

Referring to her presentation slides (Attachment 2 of the meeting materials), University Controller Claire Burlingham offered an update on GASB changes and how they will impact the University. Ms. Burlingham began by providing an overview of GASB pronouncements effective for the year ending June 30, 2018 and subsequent periods as well as pronouncements under development that the University is monitoring.

Ms. Burlingham was pleased to report that in preparation for GASB 84 – Fiduciary Activities that the Controller's Office was able to close out and reduce the number of agency funds needing to be reported from 108 to a handful of funds. A University operating procedure will be developed to help define and establish appropriate agency funds moving forward.

In regard to pronouncements under development, Ms. Burlingham highlighted Information Technology Arrangements, including cloud computing as a requirement that could considerably impact the University. She explained that licensing agreements for cloud computing are currently not capitalized and since the Financial Accounting Standards Board (FASB) has determined that they should be, GASB is likely to do the same. If implemented, this GASB will require the University to examine how it accounts for cloud computing agreements.

Next, Ms. Burlingham reminded the Committee that GASB 74 and 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions went into effect July 15, 2018 and will have a significant impact on the University's net position because it requires the University to recognize its entire post-retirement employment benefits liability. The University's unrestricted net position on the balance sheet will go from \$12 million as of June 30, 2017 to approximately a negative \$188 million for FY 2018. Ms. Burlingham noted that the University had spoken to the bond rating agencies about GASB 75 and Standard & Poor's has said it will not consider GASB 75 in their ratings. Moody's has not officially announced their position.

Ms. Burlingham concluded her presentation with an overview of GASB 87 – Leases which become effective July 1, 2020. GASB 87 will have a sizeable impact on the University as it requires all leases with terms greater than one year where the University is either the lessee or lessor to be capitalized and amortized regardless of the dollar amount. In preparation, the University is creating an inventory of leases that are subject to the requirements and has purchased the Lease Administration PeopleSoft module.

President Sullivan inquired if GASB 87 would impact future decisions about purchasing rather than leasing. Ms. Burlingham confirmed that it would and that the Controller's office would need to review contracts to determine the cost implications of purchasing versus leasing.

Title IX Update

At Chair Juskiewicz's request, Vice Provost for Student Affairs & Deputy Title IX Coordinator Annie Stevens and Director of the Office of Affirmative Action and Equal Opportunity & Title IX Coordinator Nick Stanton provided the Committee with an overview of the University's approach to preventing and responding to sexual misconduct and sexual harassment.

Referring to his presentation slides (Attachment 4 of the meeting materials), Mr. Stanton began by providing the Committee with historical context. He explained that Title IX was enacted in 1972 and that the Department of Education Office of Civil Rights (OCR) issues guidance on compliance. He noted recent OCR updates and that they did not significantly impact the University's Title IX processes, which are currently viewed as best practice.

Moving on, Mr. Stanton helped the Committee understand Title IX at the University. He explained staffing and resources as well as reporting obligations and requirements for employees to report sexual harassment and sexual misconduct. Finally, Mr. Stanton reviewed what occurs when a report is made.

In conclusion, Ms. Stevens discussed programmatic prevention, education, and training.

Observing that all first year students receive sexual misconduct and sexual harassment training, Chair Juskiewicz asked if parents also received training. Ms. Stevens explained that parents have an opportunity to attend training during orientation and that they receive communications throughout the year.

Chair Juskiewicz inquired into how faculty responded to Title IX and their responsibility to report misconduct. Ms. Stevens explained that recent national attention and news stories have helped them understand their role and why it is important to report. Additionally, required online training for faculty and staff will begin in the fall of 2018.

At Chair Juskiewicz's request, Ms. Stevens confirmed that the new Increased Student Health Needs risk on the University's Enterprise Risk Management heat map included mental and physical health.

In response to an inquiry from Graduate Student Representative Aayudh Das, Mr. Stanton explained that the University's annual Clery report provides a summary of prevention and environmental programs on campus. He also discussed an initiative for a centralized sexual violence prevention function.

Orientation to UVM's Public Safety Functions and Programs

Chief Risk/Public Safety Officer Al Turgeon began by explaining that the purpose of his presentation was to introduce the Risk and Public Safety Group (R&PSG) and provide the Committee with an overview of the services they provide to the University community.

As background, Mr. Turgeon explained that the R&PSG was formed as the result of a reorganization that took place about a year ago due to the retirement of Associate Vice President for Administrative and Facilities Services Bill Ballard.

Mr. Turgeon reviewed the group's organization chart, and their draft mission statement, vision, and goals. He discussed the Office of Emergency Management's key functions, and asked Director of Risk Management and Safety Mary Dewey, Chief/Director of Police Services Lianne Tuomey, Director of Transportation and Parking Services Jim Barr, and Director of CATCard Services Mark McKenna to do the same for their functions organized under the R&PSG. Each discussed details outlined in Attachment 3 of the meeting materials specific to their areas of responsibility.

In response to a question from Trustee Shap Smith, Ms. Dewey explained that Risk Management and Safety offers checklists and recommendations to units; it is the unit's responsibility to implement safety measures in their work sites. Mr. Turgeon added that he had put together a workgroup focused on creating a safety culture.

With regard to the University's self-insured retention, Trustee Shap Smith questioned if there was a per claim and aggregate level for liability claims. Ms. Dewey responded that for general liability it is \$500,000 per occurrence.

In conclusion, Mr. Turgeon reviewed the R&PSG's FY 2019 key initiatives.

Chair Juskiewicz thanked the group for their work and services they provide.

Internal Audit Update

Referring the Committee to Attachment 5 of the meeting materials, Chief Internal Auditor William Harrison noted that his report included a summary of internal audit activity, the status of the internal audit work plan as of May 31, 2018, and a brief update on current projects.

In response to a question from Trustee Smith, Mr. Harrison provided the Committee with an overview of the internal audit report issuance and follow-up processes. Mr. Harrison explained that at the draft report phase of each audit, the Office requests a plan from management describing any actions as well as timeline to correct reported observations. After the internal audit report is issued, the Office's responsibility is to follow-up with management on the status of their corrective action plan and report on management's progress to the Committee.

Executive Session

At 11:53 a.m., Chair Juskiewicz 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.

All in attendance were excused from the meeting, with the exception of the Trustees.

The meeting was re-opened to the public at 12:00 p.m.

Adjournment

There being no further business, the meeting was adjourned.

Respectfully submitted,

Chair Bernard Juskiewicz