

**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 September 17, 2018, at 9:30 a.m. in room 427A Waterman Building.

MEMBERS PRESENT: Chair Bernard Juskiewicz, Otto Berkes¹, Curt McCormack¹, Ed Pagano¹, and Shap Smith¹

MEMBERS ABSENT: Vice Chair Jeff Wilson and Sidney Hilker

OTHER TRUSTEES PRESENT: David Daigle²

REPRESENTATIVES PRESENT: Faculty Representative Barbara Arel³, Staff Representative Mindy Kear, and Tanya Morehouse¹ of the State Auditor's Office

REPRESENTATIVES ABSENT: Student Representative Jared Percoco, Graduate Student Representative Aayudh Das, Vermont State Auditor Douglas Hoffer, and Alumni Representative (appointment pending)

PERSONS ALSO PARTICIPATING: President Tom Sullivan, Chief Information Officer Simeon Ananou, Vice President for Finance and Treasurer Richard Cate¹, Vice President for Executive Operations Gary Derr, Chief Internal Auditor William Harrison, Vice President for Legal Affairs and General Counsel and Senior Advisor to the President Sharon Reich Paulsen, University Controller Claire Burlingham, Director of Compliance Services and Chief Privacy Officer Tessa Lucey, Associate Chief Information Officer Julia Russell, and Renee Bourget-Place and Sara Timmerman of KPMG

¹ Participated via teleconference.

² Participated via teleconference and joined the meeting at 10:06 a.m.

³ Joined the meeting at 10:00 a.m.

Chair Bernard Juskiewicz called the meeting to order at 9:30 a.m.

Approval of Minutes

A motion was made, seconded and voted to approve the July 9, 2018, meeting minutes.

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. The audits are going smoothly and no issues of note have been identified. Renee Bourget-Place, of KPMG, commented on the implementation of the new accounting standards, Governmental Accounting Standards Board (GASB) 75 Accounting

and Financial Reporting for Postemployment Benefits Other Than Pensions and GASB 81 Irrevocable Split Interest Agreements, effective for June 30, 2018.

Responding to Chair Juskiewicz's questions about the financial statement audit and National Collegiate Athletic Association (NCAA) Agreed Upon Procedures report, Ms. Bourget-Place and Ms. Timmerman explained that both audits are on track.

Moving on, Associate Chief Information Officer Julia Russell reviewed KPMG's General Computer Controls Observations and Recommendations Report (Attachment 2 of the meeting materials). She began by explaining that each year KPMG conducts an information technology (IT) assessment to acquire an understanding of the University's IT control environment and systems relevant to the financial statements. For FY 2018, KPMG was not able to conduct their usual review of PeopleSoft due the timing of upgrades. For this reason, Ms. Russell offered an update on the FY 2017 assessment that identified two general IT control-level observations related to periodic review of application changes, and periodic privilege and access reviews in PeopleSoft.

Ms. Bourget-Place added that KPMG will test PeopleSoft general IT controls in FY 2019 and noted that they will review the Maximus effort reporting system as part of the FY 2018 Uniform Guidance audit in October 2018.

Chair Juskiewicz asked when the University will have the results of the testing. Ms. Bourget-Place responded that the results will be available when the Uniform Guidance report is completed in late December or early January.

Compliance Annual Update

Director of Compliance Services and Chief Privacy Officer Tessa Lucey offered the Committee highlights from the Office of Compliance Services third annual report. Referencing Attachment 4 of the presentation materials, Ms. Lucey began by reviewing how the University's Compliance Program corresponds with the Seven Elements of an Effective Compliance Program as outlined by the Federal Sentencing Guidelines.

Referring to Ms. Lucey's status update on the mandatory training project, Chair Juskiewicz asked when Information Security Officer (ISO) Simeon Ananou would complete his review of existing systems to determine whether the University needs to purchase a new learning management system. Mr. Ananou responded that he would complete his review within the next few weeks.

Continuing on, Ms. Lucey discussed her new role as the Chief Privacy Officer and the plan to update the University's privacy program. She also reviewed Ethics and Compliance Reporting and Help Line statistics and benchmarking data. In conclusion, Ms. Lucey summarized enhancements to the University's policy management process.

At Chair Juskiewicz's request, Ms. Lucey discussed her plans for the University's privacy program. She explained that the European Union (EU) General Data Protection Regulation

(GDPR) was at the top of her list. She further explained that security and privacy are often confused and describe the difference between the two. She emphasized that while they do overlap, a security program focuses more on technology while a privacy program focuses more on behavior and people.

At Trustee Otto Berkes' request, Ms. Lucey described the distinction between policies and procedures. She explained that a policy helps the University meet regulatory requirements or reduce a risk identified by the University while detailed processes for policies are written as operating procedures or guidelines.

Summary Report of Presidential Housing Expenses

Referring to Attachment 5 of the meeting materials, Chief Internal Auditor Bill Harrison provided the Committee with a summary of FY 2018 Presidential housing expenditures in accordance with the University Operating Procedure entitled "President's Official Residence". Mr. Harrison noted that the operating expenses were under budget.

While pleased that the total expenses were under budget, Trustee Shap Smith asked if the University was making the investments necessary to maintain the residence and prevent a backlog of costly deferred maintenance. Vice President for Finance and Treasurer Richard Cate noted that the budget varies from year to year and this year happened to be under budget. Mr. Harrison clarified that his report provided a summary of operating expenses and that deferred maintenance would show up as a project expense. Vice President for Executive Operations Gary Derr commented that the Physical Plant Department has a very good preventative maintenance program.

Summary Report of Presidential Expenses Reimbursements

In accordance with the Audit Committee Charter, Vice President for Finance and Treasurer Richard Cate provided the Committee with a summary of the President's FY 2018 University travel expenses report, included as Attachment 6 of the meeting materials. He verified that the expenses totaled \$7,688.02.

Mr. Cate noted that any travel expenses associated with the UVM Foundation were paid directly by the Foundation and were not included in this report. He also clarified that a credit in the amount of \$21.19 appears in his report because the NCAA provided reimbursement in excess of the President's actual travel expenses.

Voice Communications Systems Reliability Report (*Enterprise Risk Management Risk #3 Update*)

Referring to Attachment 7 of the meeting materials, Chief Information Officer (CIO) Simeon Ananou offered an overview of the Enterprise Risk Management (ERM) Voice Communications Systems Reliability risk. As background, Mr. Ananou explained that the University's current phone system was outdated and that Nortel, the company that provided the phone system, had

gone out of business. In addition, a number of buildings on campus do not have adequate infrastructure in place to accommodate modern technology.

Moving on, Dr. Ananou explained that Enterprise Technology Services (ETS) had established two Voice over Internet Protocol (VoIP) pilot environments to evaluate technological alternative to the current phone system. As part of this project they are looking into replacing the current phone system with modern communications tools such that can include features such as videoconferencing and chat. ETS plans to finish their technical review along with cost estimates to retrofit buildings by spring 2019.

Board Chair David Daigle questioned how long it will take to develop an assessment of the digital deferred maintenance. Dr. Ananou responded that he would like to come back to the President and subsequently to the Committee with the assessment results in the spring.

In conclusion, the Committee discussed (1) strategically selecting and implementing a communications system that could accommodate future advancements in technology, and (2) the feasibility of retrofitting older buildings that have inadequate infrastructure in order to accommodate this new technology.

Protected Personal Information Breach Report (*Enterprise Risk Management Risk #10 Update*)

Referring to Attachment 8 of the meeting materials, Chief Information Officer (CIO) Simeon Ananou provided an update on the Protected Personal Information Breach ERM risk. Dr. Ananou began by explaining that institutions of higher education, especially research universities, are prime targets for malicious activities. Numerous activities are underway to combat this risk including educating the campus community, cyber maturity risk assessments, table top exercises, and the deployment of technical measures. In FY 2019 ETS plans to form an information security council which will serve as an advisory body for the ISO.

Observing that new employees receive training, Chair Juskievicz asked if there was refresher training. Dr. Ananou responded that there was no refresher training and that this would be a good discussion topic for the Information Security Council. President Sullivan and Ms. Lucey offered their thoughts about current education efforts and the need to continually educate faculty and staff about emerging issues.

At Board Chair David Daigle's request, Dr. Ananou explained that the purpose of an information security council was to bring together individuals from across the University to advise the ISO on how to increase information security awareness in a manner that would create a sense of shared responsibility across the University.

Audit Committee Charge and Charter Review

Chief Internal Auditor Bill Harrison directed the Committee to the Audit Committee Charter (Attachment 9) and Charge (Attachment 10) for their cyclical review of these documents. Mr. Harrison noted two housekeeping changes to the Charter's guidelines. The first change updates

the title of the annual research audit from the Office of Management and Budget (OMB) Circular A-133 to the Uniform Guidance audit. The second change updates the Vice President for Finance and Treasurer's title. There were no changes to the Audit Committee Charge.

Executive Session

At 10:30 a.m., Chair Juskiewicz 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, Vice President for Legal Affairs and General Counsel and Senior Advisor to the President Sharon Reich Paulsen, University Controller Claire Burlingham, and Director of Compliance Services and Chief Privacy Officer Tessa Lucey.

The meeting was re-opened to the public at 10:42 a.m.

Adjournment

There being no further business, the meeting was adjourned.

Respectfully submitted,

Chair Bernard Juskiewicz