

**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 November 5, 2018, at 10:00 a.m. in room 427A Waterman Building.

**MEMBERS PRESENT:** Chair Bernard Juskiewicz, Vice Chair Jeff Wilson<sup>1</sup>, Sidney Hilker, Ed Pagano<sup>1</sup>, and Shap Smith

**MEMBERS ABSENT:** Otto Berkes and Curt McCormack

**REPRESENTATIVES PRESENT:** Faculty Representative Barbara Arel<sup>2</sup>, Staff Representative Mindy Kear, Student Representative Jared Percoco, and Tanya Morehouse<sup>1</sup> of the State Auditor's Office (on behalf of Vermont State Auditor Douglas Hoffer)

**REPRESENTATIVES ABSENT:** Graduate Student Representative Aayudh Das, and Alumni Representative (appointment pending)

**PERSONS ALSO PARTICIPATING:** President Tom Sullivan, Vice President for Finance and Treasurer Richard Cate, Chief Internal Auditor William Harrison, University Controller Claire Burlingham, Director of Compliance Services and Chief Privacy Officer Tessa Lucey, Chief Risk & Public Safety Officer Al Turgeon, Director of Risk Management and Safety Mary Dewey, Assistant Trustee Coordinator Erin Dickinson, and Renee Bourget-Place and Sara Timmerman of KPMG

<sup>1</sup> Participated via teleconference

<sup>2</sup> Participated until 10:58 a.m.

Chair Bernard Juskiewicz called the meeting to order at 10:00 a.m. He began by introducing and welcoming Student Representative Jared Percoco to the Committee.

**Approval of Minutes**

A motion was made, seconded and voted to approve the September 17, 2018, meeting minutes.

**Presentation of the Draft Fiscal Year (FY) 2018 Annual Financial Report and Internal Control Letter Findings**

University Controller Claire Burlingham began by presenting the draft Annual Financial Report (Attachment 2 of the meeting materials). Ms. Burlingham was pleased to report that the audit resulted in no material weaknesses, significant deficiencies, or a management findings letter.

Next, Ms. Burlingham reviewed her Annual Financial Report FY 2018 Highlights presentation (Attachment 3). She provided the Committee with an overview of the required financial statement and supplemental information, the University's FY 2018 financial position, significant line items in the statements of net position and statements of revenues, expenses, and changes in net position, and the breakdown of FY 2018 revenues, expenses, and operating expenses. She noted that the University, along with other public universities, had implemented Governmental Accounting Standards Board (GASB) statement number 75 - Accounting and Financial Reporting for Postemployment Benefits Other than Pensions this year. This required the University to recognize its entire post-retirement employment benefits liability and was the primary reason for the decrease in net position.

Trustee Shap Smith asked if the rating agencies looked at the declining number of out-of-state students applying to the University. Vice President for Finance and Treasurer Richard Cate responded that the agencies look at all aspects of enrollment including the in-state, out-of-state balance. Ms. Burlingham added that the University had spoken to the bond rating agencies about GASB 75 and that they will not consider it in their ratings.

In conclusion, Ms. Burlingham illustrated how 50 percent of the University's operating expenses go directly to instruction and academic support.

At Chair Juskiewicz and Trustee Shap Smith's request, Ms. Burlingham explained that GASB 87, which becomes effective July 1, 2020, will have a sizeable administrative impact on the University. GASB 87 requires that the University capitalize and amortize all leases with terms greater than one year where the University is either the lessee or lessor regardless of the dollar amount. In preparation, the University has purchased the Lease Administration PeopleSoft module.

### **KPMG's Report to the Audit Committee**

Directing the Committee to Attachment 4, KPMG Lead Audit Engagement Partner Renee Bourget-Place began by reviewing the results of the financial statement audit. KPMG noted no matters involving the internal control structure and its operations that they considered to be material weaknesses or significant deficiencies. She explained that management had adopted two significant accounting standards: GASB 75 and GASB 81 - Irrevocable Split-Interest Agreements.

Next, KPMG Lead Audit Engagement Manager Sara Timmerman walked through the audit focus areas noting that there were no significant changes to the audit plan presented to the Committee in April.

Trustee Shap Smith questioned how the University accounted for commitments that have been made to the University. Ms. Bourget-Place responded that commitments are disclosed, but do not appear on the balance sheet.

In conclusion, Ms. Bourget-Place reviewed KPMG's summary of uncorrected audit differences. These differences were not considered material and not recorded in the financial statements.

Chair Juskiewicz commended KPMG and Ms. Burlingham's team for their great work on the audit.

### **Recommendation of the FY 2018 Audited Financial Statements to the Board of Trustees for Acceptance**

Chair Juskiewicz presented the following resolution recommending the FY 2018 Audited Financial Statements to the Board of Trustees for acceptance.

#### **Acceptance of Fiscal Year 2018 Audited Financial Statements**

WHEREAS, the Financial Statements of the University of Vermont and State Agricultural College for the Fiscal Year ended June 30, 2018, have been audited by KPMG LLP, Certified Public Accountants, in accordance with 16 V.S.A. Section 2281(a);

BE IT RESOLVED, the Audit Committee hereby accepts and recommends that the Board of Trustees accept the FY 2018 Audited Financial Statements.

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

### **Internal Audit Update**

Referring to Attachment 6, Chief Internal Auditor William Harrison offered an update on current internal audit projects. These projects included a review of CATcard access controls, proactive research advisory projects for academic units, a distributed information technology (IT) application controls assessment, an IT security/data governance review, a laboratory safety review for the College of Engineering and Mathematical Sciences, and guidance for software project teams implementing cloud-based service applications.

Continuing on, Mr. Harrison reviewed the status of open audit recommendations. He highlighted two reports that were coded red: Department of Pathology and Farm Safety. He explained that the remaining two open recommendations in the Department of Pathology report address observations related to the accounting for unrelated business income. Mr. Harrison said that he believes management's action plan is back on track and he is waiting on an updated timeline for completion. The second report, Farm Safety, addresses observations related to farm equipment safety and the creation of an overall institutional farm safety program. Since the date of the update, the College of Agriculture and Life Sciences (CALs) has provided a detailed update, and Mr. Harrison is waiting on an updated timeline for completion of the CALs action plan items. The Office of Audit Services will also be meeting with Environmental Health and Safety to discuss the scope and timing of their action plan.

Chief Risk & Public Safety Officer Al Turgeon and Director of Risk Management and Safety Mary Dewey explained that farm safety was an on-going priority and they are developing an institution wide initiative to improve the safety culture at the University. Their goal is to have an

understanding of safety issues across the institution by December 2018 and present a safety culture initiative project plan in April, 2019. Chair Juskiewicz requested that Mr. Turgeon and Ms. Dewey provide updates on their progress to the Committee.

### **2019 Draft Internal Audit and Compliance Work Plan**

Chief Internal Auditor Bill Harrison and Director of Compliance Services and Chief Privacy Officer Tessa Lucey presented the draft 2018 Audit and Compliance Work Plan (Attachment 7). Mr. Harrison offered the Committee a brief overview of the methodology used to create the work plan and the resources available to carry it out. Ms. Lucey concluded the presentation with compliance work plan highlights.

### **Audit Committee Work Plan Review**

Directing the Committee to Attachments 8 and 9, Mr. Harrison reviewed the 2018 and 2019 Audit Committee Work Plans. Starting with the 2018 plan, he noted that the Committee completed all of its planned work. Moving on to the 2019 plan, Mr. Harrison explained that the newest version of Enterprise Risk Management (ERM) Risk and Opportunity Portfolio would be presented at the January 31, 2019 meeting and that the work plan will be updated to reflect the risks and opportunities assigned to the Committee.

### **Other Business**

Assistant Trustee Coordinator Erin Dickinson reminded the Trustees of the annual Audit Committee assessment survey that will be distributed after the meeting.

### **Adjournment**

There being no further business, Chair Juskiewicz adjourned the meeting at 11:20 a.m.

Respectfully submitted,

Chair Bernard Juskiewicz