

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

**AUDIT COMMITTEE**

**Charter**

This Charter sets forth the responsibilities of the University Board of Trustees Audit Committee.

**I. Principal Responsibilities**

The principal responsibilities of the Committee shall include:

- a. promoting the development and monitoring the effectiveness of an institutional system of risk assessment and internal controls. At least annually, reviewing with management the University's processes for identifying, prioritizing, mitigating, and reporting institutional risks;
- b. reviewing and, as appropriate, making recommendations to the Board, regarding institutional policies relevant to the scope of Committee responsibilities, including conflict of interest, ethical and fraudulent conduct, whistleblower protection, and document retention;
- c. ensuring that audit plans encompass significant and material aspects of University operations;
- d. full authority and oversight of the internal audit function including appointment decisions, performance evaluations, and employment termination of the chief internal auditor;
- e. implementing a selection process to retain the independent auditor and making a recommendation to the Board of Trustees for approval. Recommending such additional audits as the Committee and/or the Board must approve under the Board's reserved authority;
- f. maintaining direct and effective communication with independent auditors on behalf of the Board;
- g. reviewing the results of internal and external audits (including the annually audited financial statements), and assessing the quality and timeliness of management's response and corrective actions;
- h. reviewing the effectiveness of the University's practices related to monitoring its compliance with laws and regulations;
- i. reviewing the results of management's investigation and resolution of any reported, or otherwise discovered, significant instances of noncompliance;
- j. evaluating the scope and quality of internal and independent audit services, and the degree of coordination and appropriate degree of independence between them;
- k. reporting regularly and promptly to the Board regarding matters within the scope of the Committee charge; and,
- l. periodically reviewing expense reimbursements, or summaries thereof that have been submitted by the President and reviewed and certified by the Vice President for Finance and Treasurer.

## **II. Membership**

The University of Vermont Board of Trustees shall annually appoint at least 5 of its members to the Committee. Its members shall be independent of management and the University including its component units and affiliated organizations. For the purposes of this charter, “independence” is defined as rendering a Trustee ineligible for Committee service if he or she (1) is employed by the University; (2) is a partner or employee of a firm retained to conduct an audit of the University; (3) held such University employment or audit engagement at any time during the previous three years; or (4) is receiving consulting, advisory, or other compensatory fees for services provided to the University. Members of the Investment Subcommittee are eligible for appointment to the Audit Committee, but no such member may serve as its Chair or Vice Chair. The University President is ineligible for service as a member, ex officio or otherwise, of the Audit Committee, as a University official and employee.

Committee members shall otherwise be subject to the Conflicts of Interest Policy in the conduct of their work.

Members of the Committee shall receive orientation appropriate to their Committee membership. All members should have a general understanding of general accounting, business and finance principles, including the ability to read and understand institutional financial statements, whether gained preceding service on this Board of Trustees or during Committee orientation. At least one member of the Committee should possess accounting or financial expertise.

## **III. Authority**

The Committee is authorized to investigate any matter within the scope of its Charter, with full and direct access to all pertinent University records, personnel, independent auditors and consultants.

## **IV. Adoption of Charter**

This Charter shall be effective as of the date of its approval by the Board. The Committee will annually review the Charter and recommend to the Board revisions thereto, in view of evolving accounting standards, legal developments and experience gained.

## **Audit Committee Guidelines**

These Guidelines serve as an operational supplement to the Audit Committee Charter. They are intended to reflect generally accepted accounting industry standards and practices applicable to non-profit corporations and higher education institutions.

The Guidelines shall be reviewed annually by management, and management shall report annually to the Committee regarding the status of the Guidelines. The Committee shall make revisions to the Guidelines as necessary or appropriate in view of evolving accounting standards and practices, legal developments and experience gained.

### **I. Retention of the Independent Audit Firm**

a. The Committee shall annually authorize and direct the Committee Chair to retain the independent audit firm to conduct the mandatory annual audit of the financial statements and/or compliance audits. In conjunction with such retention, the Committee will assess the independence and objectivity of the firm by obtaining statements from the firm on relationships between the firm and the University. The Committee will review and assess any relationships disclosed that may impact auditor objectivity and independence.

b. The Committee shall solicit requests for proposals relative to the mandatory annual audit of the financial statements and/or compliance audits from qualified independent audit firms no less than once every five years.

c. The Committee shall ensure the proper rotation of the lead audit partner, in accordance with standards of the profession.

### **II. Retention of Other Audit Services**

a. The independent audit firm retained to conduct the mandatory annual audit of the financial statements and/or compliance audits generally shall not be eligible for University engagements to perform non-audit services that would violate the U.S. Government Accountability Office Independence Standard. If, due to extenuating circumstances, and in the exercise of its reasonable discretion, management deems it to be in the best interests of the University to retain the independent audit firm for non-audit services, the proposed retention is subject to review and action by the Committee where the retention will result in fees of \$25,000 or more.

b. Contracts for non-audit services with independent audit firms not already retained by the University to conduct the mandatory annual audit of the financial statements and/or compliance audits are subject to review and recommendation by the Committee and subsequent Board consideration and action when such retentions will result in fees of \$ 250,000 or more.

### **III. Oversight of Audits**

The Committee will, no less than once annually, and otherwise periodically as necessary or desirable:

a. review annual audit plans developed by the Office of Audit Services, and receive regular progress reports relative to such plans;

b. review audit plans developed in consultation with independent audit firms, including (i) the critical accounting policies and practices to be used; (ii) all alternative treatments of financial information discussed with management, ramifications of alternative treatment and the treatment

preferred by the firm; (iii) other material communications between the firm and management; and (iv) required communications from the firm under Auditing Standards AU-C Section 250;

c. subject to subsequent Board consideration and action, review and accept the mandatory annual audit of the financial statements. Review the Uniform Guidance audit, and the financial agreed upon procedures report of institutional National Collegiate Athletic Association programs;

d. resolve disagreements between management and the independent audit firm regarding financial reporting;

e. review the independent audit firm management letter comments regarding institutional financial and information technology and security internal controls, accounting policies and procedures, and management's response to those comments;

f. review with management and the independent audit firm their respective judgments about the quality of University accounting principles; the consistency, and the degree of aggressiveness or conservatism, in the application of accounting principles; the reasonableness of significant accounting judgments; and the clarity and completeness of the financial statements and related disclosures;

g. confirm with management that the annual financial statements disclose all material off-balance sheet transactions, arrangements, obligations, and other relationships of the University with unconsolidated entities or other persons that may have a material current or future effect on institutional financial condition, and the results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues or expenses;

h. receive reports from management, the Office of Audit Services and the independent audit firm, regarding new and significant accounting standards to understand their impact on institutional financial statements;

i. receive reports from the Office of Audit Services regarding any findings of fraud which, in single incident or aggregate, results in an institutional uninsured or insured loss in excess of \$10,000, or potentially significant reputational damage to the university;

j. review the organizational structure, qualifications, independence, scope of services inclusive of office charter, and adequacy of resources of the University's Office of Audit Services;

k. annually review the appointment, evaluate the performance and set the salary of the chief internal auditor;

l. identify and document specific administrative responsibilities relevant to the routine operations of the office of chief internal auditor that are assigned to the President;

m. ensure that regular quality assessment reviews of the internal audit operations are performed in accordance with Institute of Internal Auditors standards; and,

n. meet separately with both the internal and external auditors without management representatives present subject to the requirement of the Vermont open meeting laws.

#### **IV. Internal Controls**

The University's executive management and the Board of Trustees Audit Committee have adopted the Committee of Sponsoring Organizations (COSO) Internal Control – Integrated Framework to help assess and enhance its internal control systems.

#### a. Certifications

i. The Committee will receive periodic reports from management on representations it is rendering in conjunction with mandatory annual audit of the financial statements and/or compliance audits as well as significant and material debt financing, such as issuance of bonds.

ii. Without limitation on IV.a(i), the Committee will receive from the Chief Financial Officer (CFO) a record of certification along with the annual financial statement report that:

- a. The CFO has approved the financial statements,
- b. Based on the CFO's knowledge, the report does not contain any material errors or omissions,
- c. Based on the CFO's knowledge, the financial statements materially present the financial condition and result of operations,
- d. The CFO is responsible for establishing and maintaining a system of internal controls over financial reporting, and that,
- e. The CFO has disclosed to the auditors and the Audit Committee all significant internal control deficiencies and changes that could materially affect financial data.

#### b. Policy Review.

The Committee will receive for its review and comment and, if necessary, its recommendation to the Board, institutional policies relevant to its scope of work, including conflict of interest, ethical and fraudulent conduct, whistleblower protection, and documents retention.

#### c. Required Disclosures and Compliance Monitoring.

The Committee shall oversee compliance with the Board Reserved Rights and Delegated Authority resolution. Violations of the Board Reserved Rights and Delegated Authority resolution identified by management or the internal audit office shall be reported to the Committee.

#### d. Confidential Reporting.

The committee will ensure that the University has a mechanism that permits confidential communications from employees and others regarding potential financial or accounting improprieties or nonfeasance.

### **V. Enterprise Risk Management**

- a. Oversee management's enterprise risk management process on behalf of the Board.
- b. Receive periodic updates on management's process to identify, prioritize, mitigate, and report institutional risks including the process to map risks to relevant Board Committees.

### **VI. Compliance and Privacy**

- a. Review with the Office of Compliance and Privacy Services, and management the effectiveness of the University's practices related to monitoring compliance with laws and regulations;
- b. Review with the Office of Compliance and Privacy Services and management, findings of internal compliance auditing and monitoring activities;

- c. Review with the Office of Compliance and Privacy Services and management, findings of government agency audits, investigations, reviews and monitoring activities that the Director considers significant, that are initiated by a government agency as a result of a whistleblower report, or on a for-cause basis, or that result in a fine, penalty, refund, disallowance or questioned cost in excess of \$10,000;
- d. Review with the Office of Compliance and Privacy Services and management, the process for communicating the Code of Conduct and Ethical Standards to University personnel and for monitoring compliance therewith;
- e. Receive periodically, but not less than annually, reports from the Office of Compliance and Privacy Services on its activities;
- f. Receive updates from the Office of Compliance and Privacy Services, and management on new and emerging compliance issues, including their impact to the University.; and,
- g. Receive as needed, through the Audit Committee Chair, compliance matters communicated directly by the Chief Internal Auditor or Director of Compliance Services and Chief Privacy Officer.

*As approved by the Board of Trustee: November 13, 2004*

*Approved as amended by the Board of Trustees: September 8, 2007*

*Revised by the Audit Committee: November 12, 2007*

*Approved as amended by the Board of Trustees: December 1, 2007*

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*Approved by the Board of Trustees: October 22, 2016*

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*Approved by the Board of Trustees: October 21, 2017*

*Approved by the Board of Trustees: September 25, 2020*