

MEMORANDUM

TO: Audit and Risk Management Committee
Sue Zeller, Chair
David Durfee, Vice-Chair
Bob Flint
David Silverman
Shawn Tester

FROM: Sharron Scott, Chief Financial & Operating Officer

RE: Audit & Risk Management Committee Meeting, October 28, 2024

DATE: October 22, 2024

The VSC Board of Trustees Audit and Risk Management Committee is scheduled to meet on Monday, October 28th at 9:30 a.m. in the Stearns Performance Space at Vermont State University, Johnson Campus.

In preparation for the committee's discussion, in the accompanying materials please find the EPSL Committee meeting minutes of May 6, 2024, the FY2024 *Draft* Financial Statement and Uniform Guidance Single Audit Report, and a written update related to progress on the FY2024 internal audit recommendations.

Following public comment and approval of the May 6, 2024 minutes, the committee will review the FY2024 *Draft* Audited Financial Statements and Uniform Guidance Single Audit with representatives from Withum after which you will meet privately with the auditors in executive session. Following your executive session, you will be asked to recommend the financial statements and single audit to the full board for approval. Next, you will hear a report from General Counsel, Patty Turley, on FY2024 Whistleblower Complaints. Lastly, you will receive an update on the FY2024 Internal Audit recommendations. Following any additional business, the committee will adjourn.

Note: Please be advised that the committee has five members. The quorum to start the meeting and to take any action is three members of the committee.

The board assistant may be reached at (802) 224-3021 for any questions.

CC: Audit Committee Liaisons
VSCS Board of Trustees
Council of Presidents
Business Affairs Council

**Vermont State Colleges Board of Trustees
Audit and Risk Management Committee Meeting**

**Stearns Performance Space
Vermont State University, Johnson Campus
9:30 a.m., Monday, October 28, 2024**

AGENDA

1. Call to Order
2. Public Comment signup for public comment at www.vsc.edu/signup ¹
3. Review and Approval of minutes from May 6, 2024 Committee meeting
4. Review and Approval of FY2024 *Draft* Audited Financial Statements and Uniform Guidance Single Audit including possible executive session with the auditors
5. Report to the Audit & Risk Management Committee on Whistleblower Complaints
6. FY2024 Internal Audit Update
7. Other Business
8. Adjourn

¹ rules for public comment may be found on the VSC website at <https://www.vsc.edu/wp-content/uploads/2022/08/VSC-BOT-Rules-for-Public-Comment.pdf>

Materials

ITEM 1: Audit May 6, 2024 Meeting Minutes

ITEM 2: FY2024 Financial Statements & Single Audit (see separate packet)

ITEM 3: FY2024 Internal Audit Update

ITEM 1: Audit May 6, 2024 Meeting Minutes

Minutes of the VSC Board of Trustees Audit & Risk Management Committee meeting held Monday, May 6, 2024 at 1:00 p.m. via ZOOM - UNAPPROVED

Note: These are unapproved minutes, subject to amendment and/or approval at the subsequent meeting.

The Vermont State Colleges Board of Trustees Audit & Risk Management Committee met on May 6, 2024, via Zoom

Committee members present: Sue Zeller (Chair), David Silverman (Vice Chair), David Durfee, Bob Flint

Absent: Shawn Tester

Presidents: David Bergh, Joyce Judy

Chancellor's Office Staff: Beth Mauch, Chancellor
Jen Porrier, Administrative Director

Shared Services: Donny Bazluke, Network/Security Analyst
Kellie Campbell, Chief Information Officer
Sarah Chambers, Director, Learning Technologies
Renee Hunt, Finance Staff
Jason Kaiser, Learning Spaces Technology Specialist
Sharron Scott, Chief Financial/Operating Officer
Toby Stewart, System Controller
Patty Turley, General Counsel

From the Colleges: Nicole Mace, Dean of Administrations, CCV
Sarah Truckle, Vice President of Business Operations, VTSU

From the Public: Chris Evans, Audit Senior, Withum
Zach Laflash, Partner, Withum

1. Chair Zeller called the meeting to order at 1:01 p.m.
2. Public Comment

There was no public comment.

3. Review and approve minutes from February 12, 2024

Trustee Silverman moved and Trustee Flint seconded the motion to approve the minutes of February 12, 2024. The motion was approved unanimously.

4. Review and acceptance: Internal Audit Plan for FY2024: Stipends & One-Time Payments

Chair Zeller invited Renee Hunt and Toby Stewart, from the VSC Controller office to review the results of this year's internal audit regarding Stipends and One-Time payments. Renee Hunt provided a report describing the audit process, the results and the recommendations of this audit. Details can be found [here](#) on pages 9-15.

Trustee Silverman moved and Trustee Flint seconded the motion to accept the Internal Audit Plan for FY2024: Stipends & One-Time Payments. The motion was approved unanimously.

5. Review & Discussion: Single Audit and Financial Audit Schedule with Withum

Chair Zeller invited Zach Laflash and Chris Evans from Withum to share the preliminary and single audit plans for FY24. Zach Laflash, Partner at Withum, shared details of the plans which can be found [here](#) on pages 17-20.

6. Review progress on Uniform Guidance Single Audit Findings for FY2023

VSC Controller Toby Stewart provided an overview of progress made on the Uniform Guidance Single Audit since the February 12, 2024 Audit and Risk Management Committee meeting. Details of this progress update can be found [here](#) on pages 22-24.

7. Other Business

There was no other business.

Chair Zeller adjourned the meeting at 1:37 p.m.

ITEM 2: FY2024 Financial Statements & Single Audit (see separate packet)

ITEM 3: FY24 Internal Audit Update

FY24 Internal Audit Progress Update:

Recommendations

- 1) Recommend developing consistent definitions and eligibility criteria for stipends and one-time payments, to be applied uniformly across all institutions. Review existing earnings and reason codes to clarify which are used for which purpose; establish new earnings codes, where appropriate. Where possible, align usage of reason and earnings codes amongst institutions and document for procedural consistency. Ensure the impact of reason and earnings code selection is accurately and consistently documented in the general ledger.

Management Response to Recommendation #1:

For the past several months, a Human Resources working group made up of representatives from the Community College of Vermont, the Vermont State University, and the Office of the Chancellor have been meeting to develop consistent definitions, eligibility criteria, and reason codes for stipends and one-time payments for use across all institutions. Draft definitions, categories, and assignment reasons are attached (Exhibit 1). The group will continue their work refining specific reason codes and will tie these reason codes to earnings codes over the summer.

10/10/2024 – No further update. Staffing changes and competing data priorities have impeded further progress with mapping additional pay definitions to earnings codes. We have identified a priority need to apply a broader corrective lens to our HR data, including employment types.

- 2) Develop decision criteria for paying an employee beyond their base pay. Such criteria should consider their bargaining unit, FLSA status, etc. Develop record retention procedures for stipend and one-time payments, including such decision criteria, that is readily available, even if turnover occurs.

Management Response to Recommendation #2:

We agree. The group considers it critical that we develop training and guidance documents around stipend and one-time payments, not only for the approvers but for the initiators. The VSCS has payments that are negotiated terms within the collective bargaining agreement(s) as well as ad hoc payments for assigned additional work that is beyond the scope of an employee's primary responsibilities. By contextualizing the payment, i.e., what the payment is for, who the payment is for, what the person's employment relationship is with the institution, who is responsible for the budget that the payment is being charged to, we provide clarity not only for the specific payment but collect data that can be analyzed later. A copy of our decision tree and information flow is attached (Exhibit 2).

10/10/2024 – No further update.

- 3) Recommend defining and documenting, where possible, roles and responsibilities in the process from origin of request to Payroll; particularly, consider documenting the universal roles of institutional human resources, shared services human resources and payroll.

Management Response to Recommendations #3, #5, and #6:

The Human Resources working group mapped the existing roles and process for making an extra payment from the CCV initiator through to Payroll. CCV has also created a new electronic form to replace our manual spreadsheet, which we intend to launch as a pilot before the end of the fiscal year. Ultimately, we expect to work with a computer programmer to further automate the process and connect our siloed systems. (Exhibit 3)

It is our intention that the new electronic form and automated process will eventually address extra payment requests for all VSCS employees.

10/10/2024 – This electronic form launched successfully for additional payments initiated by CCV.

- 4) Recommend developing a strategy to implement changes in the independent contractor determination process from the IRS. One-time payees may not be employees and can potentially save some time and tax liability if coded as independent contractors. Where possible, document process and procedure updates.

Management Response to Recommendation #4:

Guidelines for managers to assist with determining whether the work being performed by an individual may be considered “independent contractor” and a process for reviewing these determinations are yet to be developed. This work will need to be taken up as a group project with Human Resources, Finance, and General Counsel.

10/10/2024 – No further update. Staffing changes and competing data priorities have impeded further progress with mapping additional pay definitions to earnings codes. We have identified a priority need to apply a broader corrective lens to our HR data, including employment types.

- 5) Require consistent usage of accounts payable payment request form, specifically for non-employees who performed services, and offer training for those responsible for submitting such requests. Where possible, document process and procedure updates.

Management Response to Recommendations #3, #5, and #6:

See above.

10/10/2024 – No further update.

- 6) At VTSU, explore and document the role of Human Resources in faculty one-time and non-assignment contract stipend payments and grant payments. This would create

control within the institutions processes and create consistency with the other institutions and enable implementation of the other recommendations.

Management Response to Recommendations #3, #5, and #6:

See above.

10/10/2024 – No further update.

- 7) Recommend Shared Services Human Resources explore utilizing a request form to consistently document stipends and/or one-time payments of those personnel, as well as approval signatures.

Management Response to Recommendation #7:

With the realignment of responsibilities of Shared Services Human Resources to the institutions, CCV's request form will be amended for use by OC/Shared Services staff.

10/10/2024 – There have not been any additional pay requests for OC/Shared Services staff since July 1. If and when these requests are made, they will be processed using the electronic form.