VCU

VIRGINIA COMMONWEALTH UNIVERSITY
AUDIT, INTEGRITY AND COMPLIANCE COMMITTEE MEETING
7:45 A.M.
MAY 10, 2019
JAMES BRANCH CABELL LIBRARY
901 PARK AVENUE – ROOM 311
RICHMOND, VIRGINIA
AGENDA

1. **CALL TO ORDER**   **Keith Parker,** *Chair*

2. **APPROVAL OF AGENDA**   **Keith Parker,** *Chair*

3. **APPROVAL OF MINUTES**   **Keith Parker,** *Chair*
   (March 22, 2019)

4. **ACTION ITEMS:**

   a. Audit, Integrity and Compliance Committee   **Karen Helderman**, *Executive Director,*
       Charter and Meeting Planner Update   *Audit and Compliance Services*
   b. Proposed FY2020 Audit Workplan
   c. Proposed FY2020 University Ethics and
       Compliance Program Initiatives

   FOR INFORMATION:

5. **AUDITOR OF PUBLIC ACCOUNTS (APA)**   **Mike Reinholtz***, Director*
   FY2019 AUDIT ENTRANCE CONFERENCE   *Auditor of Public Accounts*

6 **REPORT FROM EXECUTIVE DIRECTOR OF**   **Karen Helderman,** *ExecutiveDirector,*
   AUDIT AND COMPLIANCE SERVICES   *Audit and Compliance Services*

   a. Committee Dashboard Measures
   b. Audit Work Plan Status FY19
   c. Quality Assurance Review
   d. Development and Alumni Relations Audit Report
   e. Ethics and Compliance Effectiveness Report

7. **INTEGRITY UPDATE: DATA GOVERNANCE**   **Monal Patel,** *Associate Vice-Provost*
       Institutional Research and Decision
       Support

8. **CLOSED SESSION**
   Freedom of Information Act Section 2.2-3711 (A)
   (1) and (7), specifically:

   A. University Counsel Litigation Update   **Jake Belue,** *Associate*
       University Counsel

   B. Audit Reports for Discussion   **Karen Helderman,** *Executive Director*
       Audit and Compliance Services

EXECUTIVE SESSION

9. RETURN TO OPEN SESSION AND   **Keith Parker,** *Chair*
   CERTIFICATION
- Approval of Committee action on matters
  Discussed in closed session, if necessary

10. ADJOURNMENT   **Keith Parker,** *Chair*

Board of Visitors
Audit, Integrity and Compliance Committee
7:45 a.m.
March 22, 2019
James Cabell Library
901 Park Avenue, Room 311, Richmond, Virginia

Minutes

COMMITTEE MEMBERS PRESENT

Mr. Keith T. Parker, Chair
Mr. H. Benson Dendy III
Mr. Todd P. Haymore
Dr. Robert D. Holsworth
Dr. Carol S. Shapiro

OTHERS PRESENT

Ms. Karen Helderman
Dr. Michael Rao, President
Mr. Jacob A. Belue
Staff from VCU

CALL TO ORDER

Mr. Keith T. Parker, Chair, called the meeting to order at 7:45 a.m.

APPROVAL OF AGENDA

Mr. Parker asked for a motion to approve the agenda for the March 22, 2019 meeting of the Audit, Integrity and Compliance Committee, as published. After motion duly made and seconded the agenda for the March 22, 2019 meeting of the Audit, Integrity, and Compliance Committee (AICC) was approved.

APPROVAL OF MINUTES

Mr. Parker asked for a motion to approve the minutes of the December 7, 2018 meeting of the Audit, Integrity and Compliance Committee, as published. After motion duly made and seconded the minutes of the December 7, 2018 Audit, Integrity, and Compliance Committee meeting were approved. A copy of the minutes can be found on the VCU website at the following webpage http://www.president.vcu.edu/board/minutes.html.

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Introduction of Executive Director, Audit and Compliance Services
Mr. Parker Introduced Karen Helderman as the new Executive Director of Audit and Compliance Services.

Audit, Integrity and Compliance Committee Dashboard Measures
Mr. Henson and Ms. Helderman presented the current status of the dashboard measures. Indicators for Data Security and Compliance Oversight were yellow and Planned Audits recently became yellow due to the delayed start of several audits.

Enterprise Risk Management (ERM) Update
Tom Briggs, Assistant VP for Safety and Risk Management, highlighted recent activities of the ERM Steering Committee.

Safety in the School of Arts
Tom Briggs, Assistant VP for Safety and Risk Management, provided an update to previously identified safety risks in the School of the Arts.

Conflicts of Interest Update – Commonwealth Reporting Requirements
Jacqueline Kniska, Integrity and Compliance Officer, provided an update on the University's compliance with the Commonwealth's Conflict of Interest reporting requirements.

Ethics and Compliance Training Update
Jacqueline Kniska, Integrity and Compliance Officer, discussed that in November 2018, the Integrity and Compliance Office administered the annual Ethics and Compliance Education module to university team members. For all areas except hourly employees and student employees, the completion rates have improved or remained steady.

Ethics and Compliance Program Effectiveness Review
Jacqueline Kniska, Integrity and Compliance Officer, summarized the results of an Effectiveness Review of VCU's Ethics and Compliance program conducted by Ethisphere. The review began in October 2018 and recently concluded with a favorable report and four primary recommendations.

Audit Update for Information

Mr. Litton discussed the Equity and Access Services audit report that was issued since the December committee meeting. This report did not include findings warranting the Committee's attention. We concluded positively to the audit objectives, but did provide some recommendations for management's attention. Corrective actions and targeted completion dates were provided.

Mr. Litton indicated that the 2019 annual audit work plan is underway with five audits completed and three audits in progress. We have delayed the start of five audits due to staff turnover and an increase in special project work. We are actively recruiting for an auditor and an IT auditor.

To compensate for the IT auditor vacancy, we plan to requisition 400 hours of IT staff augmentation services to complete two technology audit: Network Management and Security audit and the VCU Jobs/Cornerstone Application System audit. We expect the audit will complete by late-May 2019.

CLOSED SESSION

On motion made and seconded, the Audit, Integrity, and Compliance Committee of the Virginia Commonwealth University Board of Visitors convened into closed session pursuant to Sections 2.2-3711 (A) (1) and 2.2-3711 (A) (7) of the Virginia Freedom of Information Act to discuss certain personnel matters involving the performance of identifiable employees or faculty of the university, and to discuss the evaluation of performance of departments or schools of the university where such evaluation will necessarily involve discussion of the performance of specific individuals, including audit reports of individually identified departments and/or schools, and to consult with legal counsel and receive briefings by staff members regarding legal matters and actual or probable litigation relating to the aforementioned audit reports where such consultation or briefing in open session would adversely affect the negotiating or litigating posture of the university.

RECONVENED SESSION

Following the closed session, the public was invited to return to the meeting. Mr. Parker, Chair, called the meeting to order. On motion duly made and seconded the following resolution of certification was approved by a roll call vote:

Resolution of Certification

BE IT RESOLVED, that the Audit, Integrity, and Compliance Committee of the Board of Visitors of Virginia Commonwealth University certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed session was convened were heard, discussed or considered by the Committee of the Board.

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Vote	**Ayes**	**Nays**
Mr. Keith Parker, Chair	X	
Mr. H. Benson Dendy III	X	
Dr. Robert Holsworth	X	
Mr. Todd P. Haymore	X	
Dr. Carol Shapiro	X	

All members responding affirmatively, the motion was adopted.

ADJOURNMENT

There being no further business Mr. Parker, Chair, adjourned the meeting at 9:21 a.m.

VIRGINIA COMMONWEALTH UNIVERSITY
BOARD OF VISITORS

AUDIT, INTEGRITY, AND COMPLIANCE COMMITTEE CHARTER

I. PURPOSE

The primary purpose of the Audit, Integrity, and Compliance Committee is to assist the Board of Visitors in fulfilling its fiduciary responsibilities related to oversight of:

- Soundness of the university's system of internal controls
- Integrity of the university's financial accounting and reporting practices
- Independence and performance of the internal and external audit functions
- Integrity of information technology infrastructure and data governance
- Effectiveness of the university's ethics and compliance program
- University's enterprise risk management program
- Legal matters

The function of the Audit, Integrity, and Compliance Committee is oversight. Audit and Compliance Services assists the Committee by providing the day to day audit, integrity and compliance operations of the University within the established authority under the governance of the Committee. University management is responsible for the preparation, presentation, and integrity of the university's financial statements. University management is also responsible for maintaining appropriate financial accounting and reporting policies, procedures, and controls designed to assure compliance with generally accepted accounting principles and applicable laws and regulations. University management is also responsible for effective design, implementation, and operation of information technology infrastructure as well as data management and data governance policies and procedures.

Audit and Management Services, within Audit and Compliance Services, examines and evaluates the adequacy and effectiveness of the university's system of internal controls; examines whether university operations and employee actions are conducted in compliance with relevant policies, procedures, standards, and applicable laws and regulations; and performs management services activities, including advisory services for critical systems development projects, performance of special projects requested by the Board and senior management, and investigation of allegations of fraud or improprieties. The university's external auditor, the state Auditor of Public Accounts, is responsible for planning and conducting the financial statement examination in accordance with generally accepted government auditing standards.

The Integrity and Compliance Office, within Audit and Compliance Services, promotes a culture of ethics and compliance through training, support and guidance; evaluates the adequacy and effectiveness of existing policies, procedures, and compliance programs; administers the University Helpline and maintains other reporting mechanisms available to all employees, and reports information related to the Ethics and Compliance Program effectiveness throughout the year. University management is responsible for establishing and

~~enforcing policies and procedures and for maintaining appropriate programs to comply with all applicable laws and regulations. The Integrity and Compliance Office is a resource available to all areas of the university.~~

II. COMPOSITION AND INDEPENDENCE

The Audit, Integrity, and Compliance Committee will be comprised of three or more Visitors. Each member must be free from any financial, family or other material personal relationship that, in the opinion of the Board or Audit, Integrity, and Compliance Committee members, would impair their independence from management and the university.

III. MEETINGS

The Audit, Integrity, and Compliance Committee will meet at least four times annually. Additional meetings may occur more frequently as circumstances warrant. The Committee ~~chairman~~ Chair should meet with the Executive Director of Audit and Compliance Services as necessary and at least prior to each Committee meeting to finalize the meeting agenda and review the issues to be discussed.

IV. RESPONSIBILITIES

In performing its oversight responsibilities, the Audit, Integrity, and Compliance Committee shall:

A. **General**:

1. Adopt a formal written charter that specifies the Committee's scope of responsibility. The charter should be reviewed annually and updated as necessary.
2. Maintain minutes of meetings.
3. Authorize investigations into any matters within the Audit, Integrity, and Compliance Committee's scope of responsibilities.
4. Report Committee actions to the Board of Visitors with such recommendations as the Committee may deem appropriate.
5. Consistent with state law, the Committee may meet in closed session (without members of senior management present) with the external auditors and/or the Executive Director of Audit and Compliance Services to discuss matters that the Committee or any of these groups believe should be discussed privately.
6. Review and approve the Audit and Compliance Services budget and resource plan.
7. Approve the Audit and Compliance Services charter. The charter should be reviewed annually and updated as necessary.

B. **Internal Controls~~/Financial Statements~~**:

1. Review and evaluate the university's processes for assessing significant risks and exposures.

2. Make inquiries of management ~~and the external auditors~~ concerning the effectiveness of the university's system of internal controls.

3. ~~Determine whether the external auditors are satisfied with the disclosure and content of the financial statements, including the nature and extent of any significant changes in accounting principles.~~

3. Review management's written responses to significant findings and recommendations of the auditors, including the timetable to correct the weaknesses in the internal control system.

4. Advise management ~~and the external auditors~~ that they are expected to provide a timely analysis of significant financial reporting issues and practices.

5. ~~Require Audit and Compliance Services to perform annual reviews of the President's discretionary accounts and to issue a report thereon to the Committee.~~

C. External Auditors/Financial Statements:

1. Meet with the external auditors and university management to review the scope of the external audit for the current year. The auditors should inform the Audit, Integrity, and Compliance Committee of any significant changes in the original audit plan.

2. Discuss with the external auditors their processes for identifying and responding to key audit and internal control risks.

3. Advise the external auditors that they are expected to provide a timely analysis of significant financial reporting issues and practices

4. Review the coordination of internal and external audit procedures to promote an effective use of resources and ensure complete and efficient coverage of the university's risks.

5. Meet with the external auditors at the completion of the audit and make inquiries concerning the effectiveness of the university's system of internal controls. A portion of the meeting may be conducted in Executive Session without members of university management present.

6. Determine whether the external auditors are satisfied with the disclosure and content of the financial statements, including the nature and extent of any significant changes in accounting principles.

D. Internal Auditors:

1. Review and approve the annual audit and management services work plan and any significant changes to the plan.

2. Require Audit and Compliance Services to perform annual reviews of the President's discretionary accounts and to issue a report thereon to the Committee.

3. Review annually the qualifications of the audit and management services staff and the level of staffing.

4. Assess the effectiveness of the internal audit function, including its independence and reporting relationships and conformance with The Institute of Internal Auditors' (IIA) Definition of Internal Auditing, Core Principles, the IIA Code of Ethics and the *International Standards for Professional Practice of Internal Auditing* by inquiring

and reviewing the assessment results of the internal and external Quality Assurance and Improvement Program.

5. Review completed audit reports and progress reports on executing the approved work plan and inquire of any other matters that require audit resources.

6. Review annually the status of previously issued internal audit findings.

7. Inquire of the Executive Director of Audit and Compliance Services regarding any difficulties encountered in the course of his audits, including any restrictions on the scope of work or access to required information.

8. Review the performance of the Executive Director in consultation with the President and approve the Executive Director's annual salary compensation and bonus, if any.

9. Review and approve the appointment, replacement, reassignment, or dismissal of the Executive Director of Audit and Compliance Services.

E. Data Integrity:

1. Review the adequacy of the university's IT management methodology with regards to internal controls, including applications, systems, and infrastructure. This includes but is not limited to:
   - Physical and virtual security with regards to university servers and storage
   - Network security architecture and operations
   - Reliability and robustness of data center (servers and storage) and network infrastructure environments
   - Disaster recovery and business continuity infrastructure and associated processes and procedures.

2. Review the adequacy of the university's data management policies and procedures to ensure data security and data integrity in institutional reporting. This includes but is not limited to:
   - Authentication and authorization mechanisms in accessing university data
   - Data Governance structure and policies
   - Data security policies including data access roles and responsibilities

F. University Ethics and Compliance Program:

1. Review the annual compliance planned initiatives and any significant changes to the plan.

2. Review the qualifications of the compliance staff and the level of staffing.

3. Assess the effectiveness of the compliance program, including its independence and reporting relationships.

4. Review completed compliance reports and progress reports on the status of compliance and integrity related initiatives including process and plans in place to assess conflict of interest management (inclusive of institutional and individual conflicts).

5. Require the Integrity and Compliance Office to report on management's processes and procedures that provide assurance that the university's mission, values, ~~and~~ codes of conduct, and universitywide policies are properly communicated to all employees.

6. Review results of compliance reviews to ensure system and controls are designed to reasonably ensure compliance with laws and regulations, university policies and the code of conduct.

7. Inquire of the Executive Director of Audit and Compliance Services whether there have been any restrictions on the scope of work or access to required information in conducting compliance and ethics reviews.

G. Enterprise Risk Management

1. Provide oversight of the university's Enterprise Risk Management program.
2. Review the university's risk appetite.
3. Require periodic reporting on the overall program's design and effectiveness, including newly identified risks
4. Monitor progress of Risk Mitigation Plans and review policy and resource improvements as necessary.

H. Legal:

1. Consult as necessary with University Counsel regarding legal issues concerning the university.

Virginia Commonwealth University
Board of Visitors

Audit, Integrity and Compliance Committee Meeting Planner

A = Annually; Q = Quarterly; AN = As Necessary	Frequency			Planned Timing			
Q1, Q2, Q3, Q4 based on Fiscal Year (July – June)	**A**	**Q**	**AN**	**Q1**	**Q2**	**Q3**	**Q4**
				Sep	Dec	Mar	May
A. General							
1. Review and update Audit, Integrity, and Compliance Committee charter and meeting planner	X						X
2a. Approve minutes of previous meeting		X		X	X	X	X
2b. Maintain minutes of meetings		X		X	X	X	X
3. Authorize investigations into any matters within the Committee's scope of responsibilities			X				
4. Report Committee actions to the Board of Visitors with recommendations deemed appropriate		X		X	X	X	X
5. Meet in executive session, with external auditors and/or Executive Director of Audit and Compliance Services		X		X	X	X	X
6. Review and approve the Audit and Compliance Services budget and resource plan.	X			X			
7. Review and approve Audit and Compliance Services charter	X			X			
B. Internal Controls/Financial Statements							
1. Review and evaluate university's process for assessing significant risks and exposures	X			X			
2. Make inquiries of management ~~and external auditors~~ concerning the effectiveness of the university's system of internal controls			X	~~X~~			~~X~~
~~3. Determine whether the external auditors are satisfied with the disclosure and content of the financial statements, including the nature and extent of any significant changes in accounting principles~~	~~X~~			~~X~~			
3. Review management's written responses to significant findings and recommendations of the auditors, including the timetable to correct the weaknesses in the internal control system			X				
4. Advise management ~~and the external auditor~~ that they are expected to provide a timely analysis of significant current financial reporting issues and practices			X	~~X~~			~~X~~

A = Annually; Q = Quarterly; AN = As Necessary	Frequency			Planned Timing			
Q1, Q2, Q3, Q4 based on Fiscal Year (July – June)	**A**	**Q**	**AN**	**Q1**	**Q2**	**Q3**	**Q4**
				Sep	Dec	Mar	May
6. ~~Require Audit and Compliance Services to perform annual reviews of the president's discretionary accounts and to issue a report thereon to the Committee~~			~~X~~		~~X~~		
C. External Auditors							
1. Meet with external auditors and university management to review the scope of the external audit for the current year	X						X
2. Discuss with the external auditors their processes for identifying and responding to key audit and internal control risks	X						X
3. Advise the external auditors that they are expected to provide a timely analysis of significant financial reporting issues and practices	X						X
4. Review the coordination of internal and external audit procedures to promote an effective use of resources and ensure complete and efficient coverage of the university's risks			X				X
5. Meet with the external auditors at the completion of the audit **and make inquiries concerning the effectiveness of the university's system of internal controls.**	X				X		
6. Determine whether the external auditors are satisfied with the disclosure and content of the financial statements, including the nature and extent of any significant changes in accounting principles	**X**				**X**		
D. Internal Auditors							
1. Review and approve the annual audit and management services work plan and any significant changes to the plan	X						X
2. Require Audit and Compliance Services to perform annual reviews of the president's discretionary accounts and to issue a report thereon to the Committee	**X**				**X**		
3. Review the qualifications of the audit and management services staff, the adequacy of the staffing level	X			X			

A = Annually; Q = Quarterly; AN = As Necessary	Frequency			Planned Timing			
Q1, Q2, Q3, Q4 based on Fiscal Year (July – June)	A	Q	AN	Q1	Q2	Q3	Q4
				Sep	Dec	Mar	May
4. Assess the effectiveness of the internal audit function, including its independence and reporting relationships and conformance with the Definition of Internal Auditing, Core Principles, the IIA Code of Ethics and the *International Standards for Professional Practice of Internal Auditing* by inquiring and reviewing the assessment results of the internal and external Quality Assurance and Improvement Program	X				X		
5. Review completed audit reports and progress reports on executing the approved work plan and inquire of any other matters that require audit resources		X		X	X	X	X
6. Review annually the status of previously issued internal audit findings	X			X			
7. Inquire of the Executive Director of Audit and Compliance Services regarding any difficulties encountered in the course of his audits, including any restrictions on the scope of work or access to required information		X		X	X	X	X
8. Review the performance of the Executive Director in consultation with the President and approve the Executive Director's annual salary compensation and bonus, if any.	X			X			
9. Review and approve the appointment, replacement, reassignment, or dismissal of the Executive Director of Audit and Compliance Services			X				
E. Data Integrity							
1. Review the adequacy of the university's IT management methodology with regards to internal controls, including applications, systems, and infrastructure. This includes but is not limited to: • Physical and virtual security with regards to university servers and storage • Network security architecture and operations • Reliability and robustness of data center (servers and storage) and network infrastructure environments • Disaster recovery and business continuity infrastructure and associated processes and procedures			X	X		X	

A = Annually; Q = Quarterly; AN = As Necessary	Frequency			Planned Timing			
	A	**Q**	**AN**	**Q1**	**Q2**	**Q3**	**Q4**
				Sep	Dec	Mar	May
2. Review the adequacy of the university's data management policies and procedures to ensure data security and data integrity in institutional reporting. This includes but is not limited to: • Authentication and authorization mechanisms in accessing university data • Data Governance structure and policies • Data security policies including data access roles and responsibilities			X	X	X	X	X
F. University Ethics and Compliance Program							
1. Review the annual compliance planned initiatives and any significant changes to the plan	X						X
2. Review the qualifications of the compliance staff and the level of staffing (utilization and effort focus)	X			X			
3. Assess the effectiveness of the compliance program, including its independence and reporting relationships	X			X			
4. Review completed compliance reports and progress reports on the status of compliance and integrity related activities initiatives including process and plans in place to assess conflict of interest management (inclusive of institutional and individual conflicts)		X		X	X	X	X
5. Require the Integrity and Compliance Office to report on management's processes and procedures that provide assurance that the university's mission, values, and codes of conduct and universitywide policies are properly communicated to all employees	X			X			X
6. Review results of compliance reviews to ensure system and controls are designed to reasonably ensure compliance with laws and regulations, university policies and the code of conduct			X	X	X	X	X
7. Inquire of the Executive Director of Audit and Compliance Services whether there have been any restrictions on the scope of work or access to required information in conducting compliance and ethics reviews		X		X	X	X	X
G. Enterprise Risk Management							
1. Provide oversight of the university's Enterprise Risk Management program		X		X	X	X	X
2. Review the university's risk appetite			X				

A = Annually; Q = Quarterly; AN = As Necessary	Frequency			Planned Timing			
	A	**Q**	**AN**	**Q1**	**Q2**	**Q3**	**Q4**
				Sep	Dec	Mar	May
3. Require periodic reporting on the overall program's design and effectiveness, including newly identified risks		X		X	X	X	X
4. Monitor progress of risk mitigation plans and review policy and resource improvements as necessary		X		X	X	X	X
H. Legal							
1. Consult as necessary with University Counsel regarding legal issues concerning the university		X		X	X	X	x

Audit and Compliance Services
Audit and Management Services
2020 Audit Work Plan

Below are brief descriptions of the materials provided to the Audit, Integrity and Compliance Committee for the purpose of reviewing and approving the university's annual audit work plan. Audit and Management Services (AMS) performed an in-depth risk assessment for fiscal years 2019 through 2021 where a three-year audit work plan was developed as a guide for the majority of the risk based audits but allows for adjustments depending upon industry identified risks and university needs. We are beginning the second year of this audit work plan.

COSO Internal Control and Enterprise Risk Management (ERM) Frameworks

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is an industry standard model for assessing risks and internal controls in both the public and private business sectors. The COSO Internal Control Framework cube represents the various business objectives and control components within an organization. The 17 principles provide guidance to implement the five components of internal control.

The ERM Framework is an expansion of the COSO Cube. It further details the risk management activities including risk event identification, prevention and response planning. Additionally, it depicts a wider array of risks, including compliance, strategic, operational, financial and reputational risks. During the creation of annual audit work plan, there is coordination between these models to identify risks and potential areas to be audited.

Financial Magnitude

AMS reviewed the financial impact of 10 major functional areas within the university. These areas include significant funding sources, expense drivers and information technology infrastructure (see table below). The financial magnitude along with the COSO, ERM and industry risks are evaluated when determining the audits and projects for the audit work plan.

Three-Year Audit Work Plan

Last spring, AMS performed in-depth (deep dive) audit risk assessments for both the university operations and information technology (IT). Both assessments included an extensive analysis of risk factors and interviews with key administrators and were combined at the end of the assessment process to represent a three-year audit work plan or cycle for the university. The three-year (FY19-21) plan was developed to provide audit coverage of the most significant risks or units that have a periodic audit requirement. For the second year (FY20) of this three-year plan, AMS has evaluated whether operational changes or additional risks have been identified which would result in revisions to the audit work plan.

Proposed Audit Work Plan

The proposed audit work plan is developed based on the annual risk assessment procedures and discussions with senior management prior to being provided to the AICC committee for review and to the full board of approval.

Virginia Commonwealth University
Financial Magnitude
for Fiscal Year 2018 (unaudited)

AREA	FINANCIAL MAGNITUDE	OPERATIONAL CONSIDERATIONS/IMPACTS
Enrollment	$ 491,793,106 Tuition and fees revenue, including portion paid by financial aid	Enrollment Management, including recruitment and retention of students
Grants and Contracts	$ 188,513,920 expenditures $ 271,022,724 total awards	Variety and complexity of compliance issues
Financial Aid	$ 362,222,630 (federal, state and institutional aid)	Complexity of compliance issues
Changing Nature and Amounts of Funding Sources	$ 231,600,317 State Appropriations	Sources of significant funding and the changing levels of support; impact on university initiatives and credit rating
Information Technology Infrastructure (Core Data Services)	$ 23,499,152	Administrative information technology and academic information technology
Athletics	$ 34,608,626	Compliance with NCAA regulations; potential impacts on institutional reputation
Payroll	$ 536,256,518	Largest category of annual expenses (salaries, wages, benefits)
Procurement Services	$ 367,717,894	State & university statutory & policy requirements
Facilities Management	$ 1,148,644,987 capital assets	Emergency preparedness, physical security, deferred maintenance, contract management, environmental health and safety issues, hazardous substances, and renovations
Treasury Services / Cash Management	$ 495,160,000	Daily cash flow demands and investment of longer term funds

Virginia Commonwealth University
University Audit and Management Services
Proposed Audit Work Plan
July 1, 2019 - June 30, 2020

	Projected Hours
RISK-BASED AUDITS	

Prior Year Carryover:

     Human Resources - Separations (100 remaining hours)

     Student Fees and Expenditures (100 remaining hours)

     Global Education (100 remaining hours)

Current Year (average 300 - 425 hours):

     Office of Strategic Enrollment Mgmt

     Engineering and Utilities

     Degree Conference and Award

     VCU Card Office

     Budget and Resource Analysis

     VP for Inclusive Excellence

     Office of Research and Innovation - Integrity and Compliance

     School of Dentistry

     Authentication of Vendor Information

     Auxiliary Operations Forecasting

     IT Authentication Systems Management

     IT Facilities Management Department Systems

     IT Office of Research and Innovation Technology

     IT Integrated Systems/ERP Management and Security

Optional:

     School of Social Work

     Office of Sponsored Programs (FY19 carryover)

     Public Safety and Security

     Human Resources - Benefits Administration

     School of Pharmacy

          Subtotal   5,645

ANNUAL AUDITS/SPECIAL REVIEWS

Prior Year Carryover:

     Athletics - Year 3 - NCAA Compliance Review (50 remaining hours)

     IT Web Services and Application Security (100 remaining hours)

Current Year:

     Siegel Center Operations and Athletics Fiscal Processes

     Review of Selected Accounts - FY19

     Police Evidence Room - twice a year

     Follow-Up on Outstanding Audit Recommendations

     Risk Assessment

     IT Technology Services Risk Assessment Management

          Subtotal   1,690

OTHER PROJECTS

     Investigations and Management Requests

     Other Management Services

     Workpaper System Administration

     Data Analytics

          Subtotal   2,265

TOTAL   9,600

Virginia Commonwealth University
Audit and Management Services
Two-Year University Plan

FUNCTIONAL AREA	FY 2020	FY 2021
Enrollment Services	Office of Strategic Enrollment Management	Records and Registration
Office of Research	Office of Research and Innovation – Integrity and Compliance	Education and Compliance
Human Resources		Compensation and Classification
Finance/ Administration	VCUCard Office VP for Inclusive Excellence Budget and Resource Analysis Engineering and Utilities Authentication of Vendor Information	Physical Plant and FMD Administration Procurement and Payment – Purchasing Grants and Contract Accounting
Auxiliary Enterprises	Auxiliary Operations Forecasting	Parking and Transportation Services
Academic Units **Monroe Park**		College of Humanities and Sciences School of Education
Health Sciences	School of Dentistry	School of Medicine – Anesthesiology School of Nursing
Centers and Institutes		Massey Cancer Center

Athletics	Siegel Center Operations and Athletics Fiscal Processes	Year 1 NCAA Compliance Review
		    Eligibility
		    Extra Benefits
		    Student Athlete Employment

Virginia Commonwealth University
Audit and Management Services
Two-Year University Plan

FUNCTIONAL AREA	FY 2020	FY 2021
Enterprise Process Audits	Degree Conference and Award	Social Media
Information Technology	Authentication Systems Management IT Integrated Systems/ERP Management and Security Facilities Management Department Systems Office of Research and Innovation Technology Technology Services Risk Assessment Management	VCU Alertus Systems Security IT Access Management and Security VCU Jobs/Cornerstone Application System Management and Security Health Sciences/Massey Cancer Center IT Strategic Management
Optional	School of Social Work Office of Sponsored Programs Public Safety and Security Human Resources – Benefits Administration School of Pharmacy	To Be Determined

FY 2020 Ethics and Compliance Program Risk Based Initiatives

Maintenance of VCU's Ethics and Compliance Program is substantively driven by the Federal Sentencing Commission's Sentencing Guidelines, Chapter 8, which provide the basic and necessary minimum elements of an effective Ethics and Compliance Program; it is also driven by our own mission and values reflected in our Code of Conduct and university policies; sound business sense; risk acceptance and the needs of the organization. Continually playing an integral role in setting and upholding accountability within VCU's culture and overall risk mitigation processes, the Compliance and Ethics Program provides advisory resources to all departments; reporting mechanisms to all employees, students and visitors; and regularly solicits interactions from a cross section of stakeholders helping progression and monitoring of ethics and compliance based activities. Based on providing these services throughout FY 2019, the initiatives for FY 2020 reflect a balance of capacity, prioritization and where a devotion of additional resources is necessary to address, or continue, assurance of compliance requirements; ethical behaviors; and overall institutional integrity. Most of the topics below traverse multiple years due to the scope and size of the efforts. Year over year progress is made and any obstacles to these plans are shared with the Audit, Integrity and Compliance Committee of the Board of Visitors as the university's governing authority.

Each year, initiatives are selected, or mature, in order to reduce wrongdoing, increase the likelihood that when wrongdoing does occur it will be made known to management and increase the likelihood that VCU will responsibly handle suspected and substantiated wrongdoing, thus preserving the public's trust and the integrity and reputation of a responsible university.

Note: These activities reflect know data points and information established from the collaborative relationships with Ethics and Compliance Partners and other key stakeholders.

FY 2020 Initiatives:

Continue providing the BOV and Senior Leadership (as applicable) timely reports of successes; efficiencies; challenges; obstacles; and violations of ethics and compliance matters. Consider formal resolutions for program requirements and organizational need. More specifically focused on:

Effectiveness Review of Ethics and Compliance Program
- Prepare comprehensive response to Ethisphere's findings and recommendations – includes exploratory phase with compliance partners and key stakeholders
- Complete self-assessment and results comparison with the national Ethics and Compliance Initiative cohort

![VCU logo] Integrity and Compliance

- Report Findings and Recommendation Response to BOV, Cabinet, Compliance Advisory Committee, Enterprise Risk Management Committee, internal ACS, ICO staff and other key stakeholders
- Prioritize activities focused on the Four Key Recommendations
    - Develop Regular Training Program for All Managers
    - Streamline Communication Planning
    - Consider ICO Staffing and Ethics Ambassador Program and Review Reporting Line for CECO
    - Continue Consolidation of Case Management Systems

Integrity and Compliance Office Reporting to BOV Audit, Integrity and Compliance Committee

- Bolster Annual Issues and Events reporting results with enhanced analytics insights and benchmarking from central case management platform, includes higher education cohort
- Provide dashboard format of ethics and compliance metrics informing risk assessment; solicit input; and establish risk appetite – working toward standardized quarterly reporting
- Ethisphere's Design and Effectiveness Review Response to Recommendations Plan – see details above

COI Program Enhancement - Conflicts of Interest and Commitment, Individual and Institutional Enhancements are needed regarding training, policy approval, use of electronic solution for disclosures and management plans; in particular, compliance with more than 10 federal regulations, accreditation standards, and best practices in organizational governance, risk, and ethics and compliance industries. Utilization of an enhanced process of interest reporting contributes to both the Board and the departmental charter compliance by providing required assurances to the Audit, Integrity and Compliance Committee of the BOV.

- Fully implement policy and software solution for disclosing interests and managing conflicts
    - To include set expectations; required reporting; compliance with required committee review process; and managing of identified conflicts
- Creation of formal Interest Disclosure Review Committee – to include training on expectations outlined in policy's requirements
- Continued guidance responding to inquiries related to proactive avoidance, or response to disclosed institutional conflicts and conflicts of commitment
- Continued service as liaison to Commonwealth for mandated state disclosure

Employee Ethics and Compliance Training and Accountability

- Integrate Ethics Related Actions and other positive ethics incentives into performance evaluations - initial phase, pilot cohort

- Execution of Annual Employee Compliance Training – includes reflexive content based on initial assessment of knowledge base accompanied by role and duration of employment

- Develop and Conduct Role-based Training for Managers: Anti-retaliation

- Develop and Conduct Role-based Training for Internal Workplace Investigations

- Execution of high profile awareness events during National Ethics & Compliance Week, November 2019 - offered to employees and students

- Continued in person participation in New Employee Orientations and New Chair Training / Development; online content delivery; and other custom requests to individual units

Gap and Risk Assessment Activities

- Continue quarterly oversight monitoring for timely compliance reporting through responsible parties outlined in Compliance Calendar: Federal Regulatory Reporting Requirements

- Establish universitywide listing of state code requirements and execute plan to assess compliance status

- Support unique compliance needs in the university's areas of health care activity

- Standardize core elements of internal workplace investigations - includes training and policy

- Identify risk owners for enhancing Volunteers Program - explore decentralized risk and accountability model and centralization feasibility for identification; screening; tracking and reporting

- Reconstitute Compliance Advisory Committee or consider Senior Leadership Level Committee to review advanced ethics and compliance metrics geared toward effectiveness and risk ownership, management / intelligence based on a maturity model rating

Government Relations Non-Routine Visits: Continued independent oversight and support to university community in preparation for, and in response to, regulator inquiries, reviews and investigations

Policy Program – for all universitywide policies

- Continue providing seminal policy reminders and tips for compliance to broader university community

- Continued gap assessment based on size, scope and complexity of university, and industry trends and standards

- Continued support in policy creation, drafting, revision and required governance processes

Continued Participation and Resource Support and Assistance to various ethics and compliance-oriented groups and committees

- National Prominence - Contributing member for University Compliance Leaders Group

- State Prominence - Contributing member to state cohort for E&C work in Higher Education

- Continue serving as the second line of defense support to all operations units with VCU

- Work toward being utilized as a strategic business partner

- Participation and leadership provided to over 15 universitywide committees and taskforces

- Active memberships and participation with external groups – Society of Corporate Compliance and Ethics – Higher Education Section and General Section; Ethics and Compliance Initiative; Association of College and University Policy Administrators

- The commitment to internal staff development remains as well as support for maintaining current industry certifications

- Internal Workplace Investigations
  - Oversight of Alleged Misconduct Reports / Non-compliance Issues
  - Conduct investigations when suspected patterns or practices of misconduct, non-compliance, or unduly sensitive issues arise

- State Regulatory Coordinator (liaison to Commonwealth for VCU)

- Agency Coordinator for Conflict of Interest Disclosures to the Commonwealth

As a reminder, this committee will be receiving the Integrity and Compliance Annual Report at the September 2019 Meeting.

The anticipated effect of providing the upcoming fiscal year's Program Initiatives at the May Meeting, and the Annual Report at the September Meeting, is to assure existing mechanisms keep this committee abreast of efforts demonstrating effectiveness of the Ethics and Compliance Program.

This committee has been deemed through enacted Charter to be the appropriate authority to oversee the Ethics and Compliance Program. If there are suggestions or recommendations from the committee, please contact the Executive Director of Audit and Compliance Services or the University Chief Ethics and Compliance Officer.

Virginia Commonwealth University
Audit, Integrity and Compliance Committee
Entrance Conference Agenda
May 10, 2019

1. **Discussion of APA audit team and resources**
   Project Manager – J. Michael Reinholtz
   In-Charges – Dawn Scharf & Chuck Schauvliege
   Information Security – Blake Bialkowski

2. **Audit timing** – Our Office's work plan requires completion of the universities that are material to the Commonwealth's CAFR (UVA, VT, and VCU) during the fall of each year.

3. **Timeline of the audit completion** – We will begin control and transactional testing in the late spring and will complete substantive testing during the fall. We will also test the consolidation of the VCU Health System Authority and Foundation financial information as part of the University financial statement audit process. Our anticipated deadline is early-November 2019.
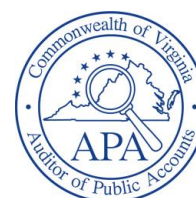
4. **Audit objectives** – Our main audit objective is to provide an opinion on the University's financial statements. More specifically, our audit objectives include:
   - Ensuring the financial statements present fairly the financial position, the changes in financial position, and the cash flows for the period under examination in conformity accounting principles generally accepted in the United States;
   - Determining whether the University has adequate internal control over financial reporting sufficient to mitigate the risk of material misstatements; and,
   - Determining compliance with significant laws, grants, and provisions of grant agreements.

5. **Audit scope** – We do not review all transactions or accounts in detail. We use materiality to focus our work on those financial statement line items and those transactions that are material or significant to the University. We will also issue a report on internal controls and compliance that will include any findings or recommendations that we may issue as a result of the audit. Both the University's student financial aid procedures, and the University's research and development grants are out of cycle for the 2019 Statewide Single Audit. Finally, our office will complete agreed-upon procedures over VCU's NCAA program and issue a report that includes a schedule of financial activity related to intercollegiate athletics.

6. **Discussion of Risk with Board Members** – The APA encourages the Board of Visitors to provide input regarding the risks they perceive to the University in completing its mission. Board members can direct their questions and comments to the Audit Committee Chair or the Executive Director of Audit and Compliance Services, who will forward them to the APA Project Manager. During the audit we plan to communicate directly with the Audit Committee Chair to discuss the following:
   - Any areas of fraud risk
   - Any areas of institutional risk
   - Any matters that the Board believes should be considered in planning

Required Communications with the Board

Responsibilities during the audit process:

- **The Auditor's (APA) Responsibilities**

  o **Overall Audit Objectives**
  The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards for financial audits contained in the *Government Auditing Standards*. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

  o **Audit Procedures-General**
  An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable, rather than absolute assurance, about whether the financial statements are free of material misstatement whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

  Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*.

  o **Audit Procedures-Internal Control and Compliance**
  Our audit will include obtaining an understanding of internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate in writing to management and those charged with governance any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Also, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants

- o **Those charged with governance**
  We are responsible for communicating significant matters related to the financial statement audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. GAAS do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance.

- **Management's Responsibilities**
  Our audit will be conducted on the basis that Management and those charged with governance **acknowledge and understand that they have the following responsibilities:**

  - o Preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
  - o Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
  - o Identify and ensure compliance with applicable laws, regulations, contracts, and grant agreements
  - o Informing the APA about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements
  - o Informing the APA of knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, former employees, regulators, or others
  - o As received, forward copies of each federal audit performed on institution programs or activities to the APA
  - o Informing the APA of any potential documents that are FOIA exempt
  - o Ensuring that management is reliable and financial information is reliable and properly recorded
  - o Making all financial records and related information available to the APA
  - o Providing the APA with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence
  - o Responding to audit findings and recommendations, as well as providing your planned corrective actions and the timing and format for providing that information
  - o Providing the APA at the end of the audit with a written letter confirming certain representations made during the audit
  - o Adjusting the financial statements to correct material misstatements and providing the APA with a representation that the effects of any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole

- **Audit Committee**

  - o Communicate with APA about audit scope
  - o Communicate with management and internal audit regarding progress
  - o Receive reports and findings from management and external audit

Other Elements of the audit process:

- **Overall planned scope of the audit**
  - o **Approach to internal control –** We review internal controls to identify those areas where we can replace substantive testing with transactional testing. We look for management to have written formal policies and procedures and check for the implementation of those procedures.

  - o **Concept of materiality –** We do not review all transactions or accounts in detail. We use materiality to focus our work on those financial statement line items and those transactions that are material or significant to the University.

- **Identification of potential fraud risks**
  - o **Approach to fraud –** Most of our audit is focused on our opinion on the financial statements and materiality. Our primary interest related to fraud would be in how it may affect the financial statements and those controls that the financial statements rely upon. The audit is not designed to detect error or fraud that is immaterial to the financial statements. However, we review policies and procedures for fraud risk and may direct our testwork towards addressing fraud risk.

  - o **Responsibility for identifying fraud risks and fraud** – Auditing standards require us to assess fraud risk, interview management and staff about their knowledge of fraud and fraud risk, and review exceptions for indications of possible fraudulent transactions. Auditors should be looking for red flag fraud indicators. Even though government entities are not always profit oriented, the auditors remain vigilant about financial statement fraud.

- **Audit Reporting**
  - o We will issue a written report upon completion of our audit of the University's financial statements. We will make reference to the Component Auditor's audit of the Virginia Commonwealth Health System Authority, and the University's Foundations in our report on the University's financial statements. Our report will be addressed to the Board of Visitors of the University. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph(s). If our opinions on the financial statements are other than unqualified (unmodified), we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

  - o We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards.* The report on internal control and compliance will include a statement that the report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AUDIT, INTEGRITY, AND COMPLIANCE COMMITTEE DASHBOARD MEASURES

## INFORMATION TECHNOLOGY GOVERNANCE - DATA INTEGRITY

DATA GOVERNANCE PROGRAM (development of program)

Program progressing successfully

Barriers / challenges encountered that may have an impact on issue resolution or implementation. Executive Council to resolve challenge.

Significant challenge encountered; will require decision from Executive Leadership Team to resolve
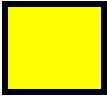
DATA SECURITY (number of security incidents / breaches)

No data breaches have occurred or seem likely to occur; security risks are well understood and being mitigated; resources viewed as aligned with threat and risk environment

No breach has occurred, but minor security incidents or near-misses have occurred; significant audit findings have occurred but are being mitigated; some overload or barriers / challenges encountered that may require adjustment or reallocation of resources

Significant breach requiring notification has occurred or conditions exist where significant barriers/challenges are likely to produce unacceptably high levels of risk

Notes: There have been no significant IT security incidents since our last meeting, though we have worked through some minor incidents involving the theft or loss of improperly protected devices and unintentional disclosure caused by human error. The most common threat continues to be phishing scams aiming to extort money or trick employees into buying gift cards.

From a defensive perspective, we have expanded simulated phishing exercises to campus-wide and continue to expand our training efforts, including outreach through our Security Heroes program, which encourages reporting of potential scams and security incidents and rewards those who report. Since the inception of the Security Heroes program at the end of 2018, we have seen a nearly 20% increase in reporting of scams, and we have started to see a measurable reduction in the time it takes for an individual to report a scam once it enters the environment. This reduction in time to report is helping to reduce the overall dwell time of security threats and further enhances the university's resiliency against cyber threats in the environment.

From the network security perspective, we continuously see scanning activities and exploitation attempts from various areas around the world with an increase in web application intrusion attempts. With continued investment in web application security over the past two years, VCU is among the leaders in web application security in comparison with other R1 institutions. In addition to proactive defensive measures, we continuously monitor and assess our environment and address new and existing vulnerabilities. There are no signs of compromise or activities specifically targeting VCU at this time. To keep up with modern threats that can laterally move across our environment, we have successfully deployed advanced detection and protection measures to computers in key administrative areas, along with critical

ERM PROGRAM

Status of ERM mitigation plans
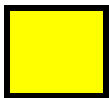
Program progressing on schedule

Program not on schedule; ERM Committee to address.

Program significantly behind schedule; Executive Management attention required.

Notes: The ERM Steering Committee (Committee) continues to review of the highest ranked Risk Mitigation and Management (RMM) Plans.

PLANNED AUDIT STATUS

PLANNED AUDITS (status of audits - planned and unplanned to available resources)

SPECIAL PROJECTS (status of special projects - planned and unplanned to available resources)

Progressing as planned and within overall budget

Some overload or barriers / challenges encountered that may require adjustment or reallocation of resources to resolve

Significant overload or barriers / challenges encountered resulting in major delays or changes to scheduled work plan

Notes: No additional delays since first being reported as yellow in March 2019. Three audits and two IT audits were first reported as delayed in March 2019 due to staff turnover and a nearly 100 percent increase in special projects since FY2018. Since March 2019 we have hired a senior auditor who started work in April 2019 and we continue to actively recruit for an IT auditor. A IT audit vendor has also started work on two technology audits in the near term to address this yellow trend.

COMPLIANCE OVERSIGHT

Compliance requirements compared to known material violations

No known noncompliance

Challenges encountered that have an impact on resolution or implementation

Significant compliance challenge encountered

Notes: Institutional infrastructure to ensure compliance with the multitude of federal and state laws and regulations as well as university policies and procedures still requires attention.

Audit and Compliance Services
Status of Fiscal Year 2018-2019 Audit Work Plan
April 30, 2019

Audit Area	Status	Anticipated Board Issue Date
Risk Based Audits		
College of Engineering, including IT (carryover from FY18)	Completed	December 2018
Institutional Review Board (carryover from FY18)	Completed	December 2018
Payroll	Completed	December 2018
School of the Arts, including IT	Completed	December 2018
Equity and Access Services	Completed	March 2019
Development and Alumni Relations	Completed	May 2019 ~~December 2018~~
Safety and Risk Management (OEHS)	Completed	May 2019
Enterprise Centers and Institutes (carryover from FY18)	In Progress	September 2019 ~~May 2019~~
Global Education	In Progress	September 2019 ~~May 2019~~
Network Management and Security	In Progress	September 2019 ~~March 2019~~
Human Resources - Separations	In Progress	September 2019
School of Medicine - Cardiology (consolidated with HS Audit)	In Progress	September 2019 ~~March 2019~~
Student Fees and Expenditures	In Progress	September 2019
Technology Services Desktop Services Operations and Systems	In Progress	September 2019
IT Asset Management and Security	Not Started	Postponed
Office of Sponsored Programs	Not Started	Postponed
Residential Life and Housing	Not Started	Postponed

Audit and Compliance Services
Status of Fiscal Year 2018-2019 Audit Work Plan
April 30, 2019

Annual Audits and Activities		
Follow-Ups on Audit Recommendations Outstanding	In Progress	September 2019
Athletics – Year 3 NCAA Compliance Review	In Progress	September 2019
Review of President's Discretionary Accounts – FY18	In Progress	September 2019 ~~May 2019~~
Risk Assessment	Completed	May 2019
Data Analytics	Not Started	September 2019

Special Project	Status
Continuing Projects	
State Employees Fraud, Waste, and Abuse Hotline	In Progress – 0; Closed – 2
Other Projects	
Department of Psychology Purchase Card	In Progress
University Internet of Things (IoT) – Special Project	In Progress
VCU Police Department – Review of Evidence Room – Part 2	In Progress
Web Services and Application Security – Special Project	In Progress
Facilities Management Division Leave Recording	Completed
Virginia Employment Commission Late Payments	Completed
VCU Police Department – Review of Evidence Room – Part 1	Completed
VCU Police Department RealTime	Completed
ACH Transfer	Completed

Special Project	Status
School of Medicine – Genetics - Travel	Completed
VCUQ Fashion Show	Completed
Wilder School - Travel	Completed
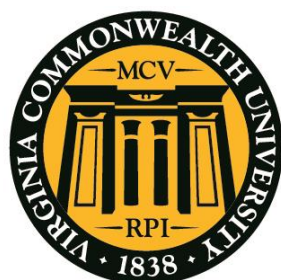
The Office of Development and

Alumni Relations
Final Report
April 11, 2019

Audit and Compliance Services

EXECUTIVE SUMMARY

Overview

The Office of Development and Alumni Relations (Office) manages VCU's (university) philanthropic support by engaging stakeholders and alumni to achieve a comprehensive development program. The Office provides the overall leadership and management of fundraising and alumni relations at the university, and works with development offices in schools and units by providing central services such as campaign leadership and overall strategy, annual giving operations support, and prospect development and research. The Office is in the final years of its Make It Real Campaign, the largest fundraising campaign in the university's history. The campaign began in July 2012 and will count all funds raised through June 2020 with the goal being to raise $750 million by that time. As of this writing, the campaign has raised $712 million. There are nine departments within the Office as identified below:

- Advancement Services
- Annual Giving
- Alumni Relations
- Office of the Vice President
- Corporate and Foundation Relations
- Communications
- Donor Relations
- Gift Planning
- Regional Giving

Of these departments, Advancement Services was the most relevant to our audit objectives and scope. Advancement Services provides support to all development and alumni relations efforts university-wide through the following areas: Gifts and Records Management, Development Research and Prospect Management, Information Technology (IT) and Online and Reporting Services.

- Gifts and Records Management provides depositing and recording of revenue transactions services to VCU and its affiliated foundations. This department monitors gift receipting in accordance with Internal Revenue Service guidelines and the distribution of pledge reminders. Gifts and Records Management is also responsible for maintaining VCU's constituent records database in RADAR (Rams Advancing Development and Alumni Relations), a hosted application service from Blackbaud.
- Development Research and Prospect Management provides university support through prospect identification, prospect/donor research and reporting, portfolio support, moves management and prospect strategy.
- IT provides end-user support for their applications, including RADAR, for those involved in fundraising and alumni activities.

- Online and Reporting Services assists in the development of ad-hoc reports, online giving forms, event registration forms, electronic communications, websites, and vendor and data integrations.

Purpose

We used a risk-based approach to examine the significant processes and controls of the Office and determined the following audit objectives.

- Donor restrictions were adhered to and guidelines were effective
- Metrics were designed to effectively monitor the program's performance
- Appropriate local policies and procedures were in place, university-wide where applicable, and were operating effectively
- Tax receipting conformed to current tax laws
- Processes for pledge write-offs were reasonable
- Financial and administrative processes were performed and monitored properly
- Donation fund processing was designed adequately

Scope and Audit Procedures

The scope of our audit of Development and Alumni Relations included a review of tax receipting and receivable write-off processes for calendar year 2018. Our scope also included a review of the following administrative and financial processes: Banner reconciliations, purchase card expenditures, travel reimbursements, funds processing controls and expenditures involving donor restrictions for the first half of fiscal year 2019.

Our audit procedures included interviews with key personnel; evaluation of local policies and procedures; evaluation of ARMICS documentation for reasonableness; walkthroughs and evaluation of departmental metrics and donation fund flow process; evaluation of tax receipting process; tests of expenditures for appropriate business purpose, authorization and recording; and tests of expenditures for adherence with donor restrictions.

Conclusion

In our opinion, based on the results of our audit, donor restrictions were adhered to and guidelines were effective; metrics were designed to effectively monitor the program's performance; appropriate local policies and procedures were in place university-wide where applicable, and were operating effectively; tax receipting conformed to current tax laws; processes for pledge write-offs were reasonable, financial and administrative processes were performed and monitored properly and donation fund processing was designed adequately.

A detailed recommendation to strengthen the Office of Development and Alumni Relations operations was included in a separate report furnished to management.

Our audit of the Office of Development and Alumni Relations began on September 19, 2018. The

first draft of this report was submitted to management on April 8, 2019.

Prior to releasing this report in final form, the draft report was reviewed by, and management's action plans were provided or approved by, the following officials:

Samantha Wheeler Marrs   Senior Associate Vice President for Development Operations
Jay Davenport   Vice President for Development and Alumni Relations

Our audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included an evaluation of internal controls and such procedures as we considered necessary in the circumstances.

Executive Director
Audit and Compliance Services

VCU's Ethics and Compliance Program: Design & Effectiveness Review
Recommendations from the Findings Report conducted by Ethisphere, March 11, 2019

A response to each recommendation will be provided at the September Meeting. Given limited resources and the priorities of other operations units, the extent to which these enhancements may be made and by when remains unknown. Additional time will be spent discussing feasibility of options most likely to significantly contribute to the student experience and student success. The report's four key recommendations are all accepted to some degree and currently underway in varying phases. A verbal update will be provided through the Audit, Integrity and Compliance Committee's May meeting and progress reports to other key operational stakeholders as available.

Key Recommendations
- Develop Regular Training Program for All Managers
- Streamline Communication Planning
- Consider ICO Staffing and Ethics Ambassador Program and Review Reporting Line for CECO
- Continue Consolidation of Case Management Systems

Category	Recommendation
Program Resources and Structure	Include the CECO in Cabinet level and senior staff meetings to provide program updates and coordinate with senior-most leaders
	Document the access of the CECO to the appropriate committee of the Board of Visitors and the frequency with which the CECO should provide updates to that committee
	Evaluate ICO staffing levels, given disparity between VCU and relevant peer groups. Consider the addition of 1 or 2 FTEs or grad-level intern program.
	Implement an ambassador program for E&C
	Continue to ensure effective use of the Compliance Advisory Committee to address the possibility of silos of expertise as highlighted in the ERM section of the Integrity and Compliance Annual Report
	Consider whether smaller CAC groupings for specific topics (subcommittees) might further work
Perceptions of Ethical Culture	Enhance the presence of leadership in training courses
	Expand demographics and enhance participation in future culture survey initiatives
Written Standards	Make Code readily available on VCU's website on the home page or "Mission and History" page
	Consider addressing additional risk areas
	Revise Code to lower grade level and simplify language
	Move the "decoding our code" page to the beginning

	Lower grade level of policies
	Develop an FCPA or anti-bribery policy
	Create a true Supplier Code of Conduct
Training & Communication	Create a multi-year training plan/curriculum and schedule
	Keep learners engaged through mature training mechanisms such as progressive course difficulty, pre-tests and self-directed topics
	Review current systems to identify places where "just in time" training can be deployed
	Use positive incentives to encourage training completion such as a reward for departments who complete the training first; consider an initiative that is led by senior personnel
	Further equip managers with information (and resources) about their responsibilities to support the program by means of a learning curriculum for current managers and onboarding new managers, as well as periodic refreshers; link completion to the performance evaluation
	Establish a mentor program for experienced managers to mentor newer managers
	Deploy a two-year, cross-functional communications plan that incorporates training and communications strategies together
	Leverage the relationship with other leaders to diversify the voices delivering the integrity message around VCU
	Measure training effectiveness through a routine survey to compliance partners asking for topics they are receiving the most questions about; spot-quizzes to employees to check for retention and/or click rates for policies and resources
Risk Assessment, Monitoring & Auditing	Bolster the current risk assessment process using systematic metrics, such as usage of ICO resources; consider adding questions to internal audits to assess awareness
	Identify places where budget and risk appetite could be more closely aligned to bolster risk assessments
	Perform root cause analysis on all substantiated *and* unsubstantiated cases
	Continue work to integrate case management systems so there is one system of record; if multiple systems are used, ensure rigorous coordination
	Develop a unified investigation process
	Ensure consistent root cause designation for all cases
	Develop an online proxy report pathway for all managers
	Continue implementation of new processes around individual and institutional conflicts of interest monitoring
Enforcement, Discipline & Incentives	Provide all managers with standalone manager-specific training on retaliation
	Review the current ways in which VCU is monitoring those employees who raise concerns for indicia of retaliation across reporting channels, and consider a process where the organization explicitly and regularly checks back in with those individuals after the close of an investigation

ETHISPHERE®
GOOD. SMART. BUSINESS. PROFIT.®

Design & Effectiveness Review
Findings Report

Prepared for Virginia Commonwealth University | March 11, 2019

Final Report | *This Draft Report Is Confidential*

Executive Summary

- Preamble

- Executive Summary & Scorecard

- Assessment Methodology

- Assessment Findings

  - Section 1: Program Resources and Structure

  - Section 2: Measuring Perceptions of Ethical Culture

  - Section 3: Written Standards

  - Section 4: Training and Communications

  - Section 5: Monitoring and Auditing

  - Section 6: Enforcement, Discipline, and Incentives

- Appendix A: Management Interview List

Preamble

Virginia Commonwealth University ("VCU" or "the University") retained Ethisphere, LLC ("Ethisphere") to evaluate and benchmark the University's ethics and compliance program, excluding the program in place at VCU's hospital, utilizing Ethisphere's review system and associated methodology.

The following report ("Report") was prepared by Ethisphere at the request of VCU. The information in this Report is owned by VCU except that: (a) Ethisphere retains exclusive proprietary ownership rights to the review systems and related methodologies ("Proprietary Rights"), and VCU agrees that it will not take action to interfere with such Proprietary Rights; and (b) Ethisphere retains the right to use the numerical information and supporting data from which the Report was derived for future benchmarking and other analyses done for other Ethisphere clients, so far as Ethisphere ONLY uses this supporting data in a form whereby such information and data is aggregated with similar information of other Ethisphere clients and cannot be identified as data and information derived from work with VCU.

Executive Summary

Executive Summary

Our findings are summarized in this Report, which comprises a review and evaluation of VCU's existing ethics and compliance program and practices (not including the practices in place at the University's hospital). VCU has worked to build out an overarching program that coordinates the activities of a number of University resources and provides an avenue through which to educate VCU employees, faculty, and students about the organization's policies, procedures, and expectations around integrity as well as the channels available to raise concerns.

As evidenced during the evaluation process, VCU is very engaged in implementing a best practices ethics and compliance program and framework. There is significant support at the University for the ethics and compliance program across the leadership team and at the board of visitors level. That said, the Chief Ethics and Compliance Officer lacks a documented reporting line to either of the committees at the Board of Visitors ("BoV") responsible for overseeing the program; this is a departure from similarly-situated organizations that have emphasized a clear reporting line in response to changes to Chapter 8 of the Organizational Sentencing Guidelines in 2010, which strongly recommended a documented reporting line for the individual charged with running (not overseeing) the ethics and compliance program.

We have laid out our key areas of recommendation in this executive summary, with significant further detail to be found in the remainder of the body of the report, including supporting data. In making these recommendations, we have taken into consideration VCU's structure and the nature of its stakeholder base and risk profile. We have also considered the personnel change happening at the University with the retirement of Mr. Cole, the Executive Director for Audit and Compliance Services. We believe that each key recommendation is eminently practical and will significantly improve the ease of use of VCU's resources and program for all employees and further enhance the perception of the Integrity and Compliance Office ("ICO") as an important strategic function.

5

Executive Summary

From October 2018 through January 2019, Ethisphere conducted its review process on behalf of VCU.

Ethisphere's assessment processes looked at the following aspects of VCU's programs and practices:

Ethics and Compliance Program Resources and Structure	**Employee Perceptions of VCU's Ethical Culture**	**Written Standards**	**Training & Communications**
Risk Assessment, Monitoring & Auditing	**Enforcement, Discipline & Response**	**Employee Knowledge of Ethics and Compliance Concepts**	**Senior Leader Perceptions of the Compliance Environment**

We based our findings on VCU's answers to Ethisphere's 2018 *Ethics Quotient® (EQ)* survey, submitted documentation covering 45 different elements of VCU's corporate activity, and interviews with 10 senior and operational leaders across the organization.

Summary Scorecard Methodology

VCU's *2018 Assessment Summary Scorecard* (page 8) provides a summary maturity classification for each element assessed. Below are the five maturity tiers used to describe each element of the University's program, its color classification for visual reference, and a description of how to interpret each one. Refer both to Category Outcome Driving Factors and the full length Assessment Findings Report for additional information, data, and context for each Category Outcome selection.

Category Outcome Label and Color Indicator	Category Outcome Description
Very Strong	Designates a best-in-class program or practice. A "very strong" label indicates a leading or mature practice that, in many respects, serves as an example of what other organizations should aspire to implement regardless of industry or structure.
Solid; Trending Very Strong	Components of a program that are trending very strong exceed expectations in many facets, yet provide further opportunities for enhancement in others.
Solid	A classification of "solid" denotes expectations are being met for a given section; this section may be approaching best practice in a few areas, yet several opportunities exist to improve or otherwise enhance this area of the program.
Needs Attention; Trending Solid	When trending solid, a component of the program has capabilities that may be compliant or functional but lack in efficiency or efficacy, or are otherwise undeveloped.
Needs Attention	This portion of the program is nascent or does not exist, requiring significant and immediate updating to achieve compliance with regulation or functional practice. Any category receiving a designation of "needs attention" should be elevated to the top of the Company's priority list.

Design & Effectiveness Review

Summary Scorecard

Assessment Area	Summary Outcome	Assessment Area Driving Factors
Program Structure & Resources	Solid, Trending Very Strong	+ Solid access to leadership and BoV during tenure of recently-retired Executive Director + Excellent use of Compliance Advisory Committee - Staffing levels lagging below peers - Open leadership role and lack of documented reporting line to BoV
Measuring and Communicating Around Ethical Culture	Solid	+ Coverage of ethical culture topics - Participation rates and mechanisms used to measure perceptions
Written Standards	Very Strong	+ Excellent Code + Strong policy governance practices
Training & Communications	Needs Attention, but Trending to Solid	- Opportunity to further empower managers as ethical role models - Opportunity for improved communication planning
Risk Assessment, Monitoring & Auditing	Solid, Trending Very Strong	+ Coordination with internal audit group + Excellent tracking of harassment and discrimination metrics - Opportunity for use of additional metrics
Enforcement, Discipline & Incentives	Solid	- Opportunity for coordination among investigative bodies - Help managers understand how critical it is to alert ICO or HR to employee concerns; consider a simplified intake form for managers
Overall	Solid, Trending Very Strong	+ Hyper-efficient use of available resources + Built a solid framework for future execution - Opportunity to improve staffing levels

■ = Needs Attention ■ = Solid ■ = Very Strong
■ = Needs Attention, but Trending to Solid ■ = Solid, Trending Very Strong

*Solid equals meeting best practice expectations.

Key Recommendations

Key Recommendation 1

Develop Regular Training Program for All Managers

For over a decade, survey after survey conducted by Ethisphere and others has shown that employees look to their direct supervisor for guidance on "how to get ahead" at the organization. While tone at the top is important, it is really the direct supervisor who sets the example in integrity, compliance, and much more. At the same time, not everyone who is promoted to a supervisory position comes into the role with the necessary tools and understanding about how to be an ethical leader.

Recognizing this, VCU has put in place training modules that are specifically targeted at managers; the content in those modules is strong but not as comprehensively administered as we increasingly see at other organizations. For that reason, we strongly encourage the University to establish an overarching and coordinated manager professional development learning curriculum for all levels of managers, which would include new manager training as a part of onboarding for incoming managers and periodic refresher training for tenured managers. In particular, make sure that all managers are provided periodic manager-specific training on their responsibilities in supporting the University's ethics and compliance program, such as creating an effective open-door environment, preventing retaliation in the workplace, using the proxy reporting functionality in the University's case management system and how to handle an investigation in their area of the organization.

Key Recommendation 2

Streamline Communication Planning

VCU's current training plan is a single-year plan with limited function-specific or risk-specific targeting. In addition, the University does not maintain a communication plan related to ethics initiatives. A robust training and communications plan—often developed in coordination with other control functions through a steering committee such as VCU's Compliance Advisory Committee—allows the University the opportunity to pair training material with follow-up communications in a coordinated fashion that reinforces key messaging. The more targeted each piece can be, the more engaged the learner will be on average. The review team strongly recommends the University move to such a planning process.

Many of VCU's peers are triangulating different sources of control data to look for potential hot spots (e.g., layering hotline matters, conflict of interest disclosures, turnover by manager/school or college, and phishing test results through coordination between Internal Audit, ICO, HR, and IS). Combining the places where each individual control function is seeing small problems can result in significant insights, as it is rare for only one control function to experience issues with a particular part of the business. Those insights can significantly inform training plans and make training more efficient and effective company-wide. Some of this information could be obtained through systemic conversations at the Compliance Advisory Committee; making sure the information is tracked will be critical to gathering these insights.

Key Recommendations

Key Recommendation 3

Consider ICO Staffing and Ethics Ambassador Program and Review Reporting Line for CECO

While the Integrity and Compliance Office has built good working relationships with other control functions and makes excellent use of its Compliance Advisory Committee, it remains hamstrung in its capabilities by its staff size, which is extremely lean for an organization of VCU's size. Consider seriously adding to the ICO's staffing either through the addition of full-time head count or through the use of graduate-level interns. Also consider whether implementation of a formal "ethics ambassador" program is appropriate to elevate the current coordination happening through the Compliance Advisory Committee to a level where it will be easier both to track activity and to reward those who are actively supporting the University's commitment to integrity.

Finally, we recommend reviewing the current reporting line for the CECO, as the University differs from similarly-situated organizations in its *ad hoc* reporting for the CECO herself to the relevant BoV committee(s) (reporting for the Executive Director is to the BoV, but the current trend is for the individual responsible for the program to have direct documented access to the appropriate board committee).

Key Recommendation 4

Continue Consolidation of Case Management Systems

The University maintains several mechanisms through which to raise a concern, as well as multiple case management systems. While efforts are underway to consolidate onto a single system of record, for the time being, multiple systems are still in use.

We are seeing a growing trend of organizations looking for one system of record so that the governing authority—in this case, the Board of Visitors—would have one overarching view into the issues and concerns being raised by the organization's various stakeholders. Maintenance of multiple systems increases the risk of inconsistent discipline, makes meaningful root cause analysis more difficult, exacerbates differences in investigation processes, and creates the possibility of issues not receiving the appropriate level of follow up. We recommend VCU continue its excellent work to rapidly move toward the use of a single system, and further recommend that compliance area leads emphasize their support of such work, in conjunction with the appropriate members of senior leadership.

2018 Assessment Methodology

Program Assessment Process

Ethisphere developed our program assessment methodology in an effort to shine a light on extraordinary programs and practices, as well as to recommend actionable steps for the organization to take to move the program forward.

Assessment Areas

The **Program Resources and Structure** area looks at the extent to which the program is autonomous, is sufficiently resourced, and has appropriate authority.

Efforts establishing an ethical tone at the top and middle, frequency that culture is evaluated, and methods and outcomes associated with **Measuring Perceptions of Ethical Culture.**

This area evaluates the organization's code of conduct, key standalone policies, and other relevant **Written Standards**.

An examination of information regarding the company's current compliance **Training and Communications** program to determine the quality and effectiveness.

Risk Assessment, Monitoring, and Auditing practices, or how the company identifies its key risks and accordingly determines how to allocate resources.

The area of **Enforcement, Discipline, and Incentives** looks at whether the organization enforces and encourages compliance through disciplinary measures and incentives.

Inputs

Current state of program and practices using Ethisphere's **2018 Ethics Quotient® (EQ) survey (VCU Response)**

Examination of supporting documents relating to each component of the review and supporting answers provided to the EQ survey.

10 Interviews of key stakeholders at the management and operational levels *(see Appendix A for a list of individuals interviewed).*
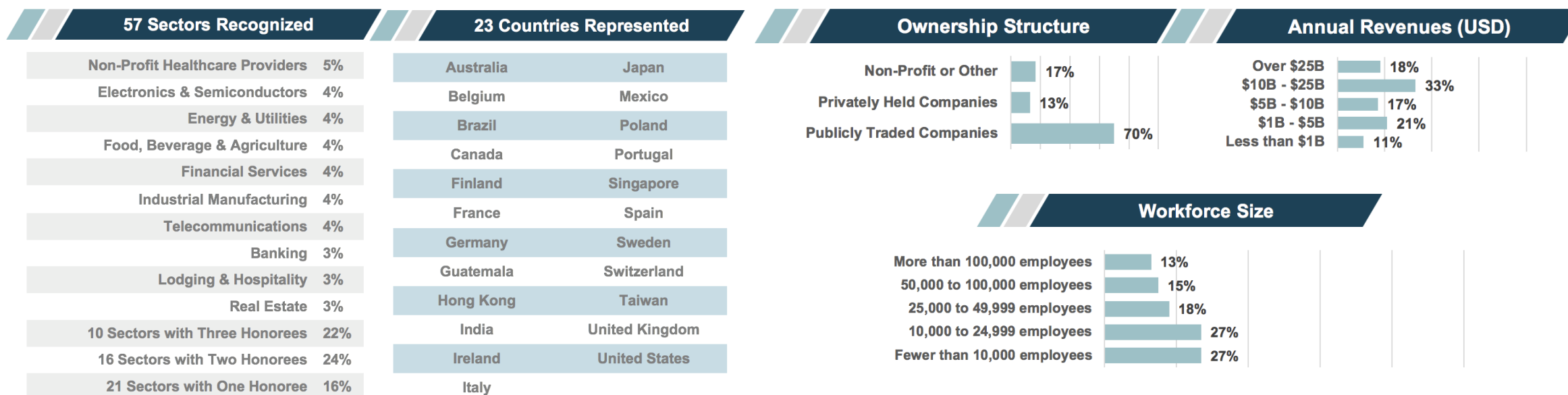
Assessment Methodology
World's Most Ethical Companies Benchmark Data Set

This Report contains data points from Ethisphere's 2018 World's Most Ethical Companies ("WMEC") data set. This data set provides insights into the programs and practices of leading companies from around the world. The illustration below describes the 135 companies that comprise the data set referenced throughout the Report.

From this data set, Ethisphere identified two segments to benchmark against VCU. First, 18 companies that identify as non-profit or not-for-profit ("Sector Peers"). Second, 16 companies with employee population totals between 10,000 and 24,999 and annual revenue between $1 billion and $10 billion, excluding healthcare and financial services organizations ("Headcount Peers"). These two benchmark data sets are presented alongside the overall data set to provide a comparative view into the practices of companies similar to VCU.

57 Sectors Recognized	
Non-Profit Healthcare Providers	5%
Electronics & Semiconductors	4%
Energy & Utilities	4%
Food, Beverage & Agriculture	4%
Financial Services	4%
Industrial Manufacturing	4%
Telecommunications	4%
Banking	3%
Lodging & Hospitality	3%
Real Estate	3%
10 Sectors with Three Honorees	22%
16 Sectors with Two Honorees	24%
21 Sectors with One Honoree	16%

23 Countries Represented	
Australia	Japan
Belgium	Mexico
Brazil	Poland
Canada	Portugal
Finland	Singapore
France	Spain
Germany	Sweden
Guatemala	Switzerland
Hong Kong	Taiwan
India	United Kingdom
Ireland	United States
Italy	

Ownership Structure

Non-Profit or Other	17%
Privately Held Companies	13%
Publicly Traded Companies	70%

Annual Revenues (USD)

Over $25B	18%
$10B - $25B	33%
$5B - $10B	17%
$1B - $5B	21%
Less than $1B	11%

Workforce Size

More than 100,000 employees	13%
50,000 to 100,000 employees	15%
25,000 to 49,999 employees	18%
10,000 to 24,999 employees	27%
Fewer than 10,000 employees	27%

Program Resources & Structure

Perceptions of Ethical Culture Section Description

In reviewing VCU's overall program structure and resource levels, Ethisphere first evaluates program structure and the manner in which overall responsibility for compliance oversight is assigned to high-level personnel. Guidance issued over the last decade from a variety of regulators (US DOJ, SEC, HHS-OIG, USSC, UK SFO, OECD, etc.), and we agree, that the organizational chart of a given organization sends a message about organizational priorities. Do those running the ethics and compliance program have a "seat at the table"? Additional examination is conducted to assess how resources and authority have been allocated to those individuals. In other words, is the program appropriately staffed for the size and complexity of the business?

Second, we review if members of VCU's governing authority are actively engaged in the ethics and compliance program, whether they are knowledgeable about its content and operations, and whether they exercise reasonable oversight of that program.

Section Considerations:

- ✓ 2018 *Ethics Quotient* survey responses
- ✓ Interviews with VCU leadership
- ✓ Supporting documentation evidencing resources and program structure

Key Program Resources & Structure Summary Recommendations

- ❑ Include the CECO in Cabinet level and senior staff meetings to provide program updates and coordinate with senior-most leaders
- ❑ Document the access of the CECO to the appropriate committee of the Board of Visitors and the frequency with which the CECO should provide updates to that committee
- ❑ Evaluate ethics and compliance staffing levels, given disparity between VCU and relevant peer groups
- ❑ Continue to ensure effective use of the Compliance Advisory Committee to address the possibility of silos of expertise as highlighted in the ERM section of the *Integrity and Compliance Annual Report*

ICO Access to Leadership and the Board of Visitors

Finding: VCU's Integrity and Compliance Office supports the compliance activities of the organization as a whole, existing as a bridge between the different schools and colleges as well as the employee base of the University. It provides guidance and training on VCU's policies and procedures and oversees a variety of investigations and risk assessment activities. Oversight of the ICO is the responsibility of the Board of Visitors, which has assigned responsibility for the program to the Audit, Integrity, and Compliance Committee. That Committee received regular briefings on the activities of the program from the recently-retired Executive Director for Audit and Compliance Services.

Under the Executive Director, the ICO had good access to University leadership, although Ms. Kniska, the University's Chief Ethics and Compliance Officer, was not directly and regularly included in meetings with the President's cabinet and was not regularly responsible for presenting data on the program to the Committee. In addition, the CECO does not have a documented reporting line to the appropriate committee of the Board of Visitors.

Recommendation: As the ICO transitions to a new leader with the Executive Director's retirement, the review team strongly recommends the University re-examine the CECO's access to the President's cabinet. The seniority and independence of the function, both in form and in practice, is critical to the program's overall success. While the Executive Director was a member of the President's cabinet and reported regularly on the activities of the program, organizational charts and access to senior meetings send messages to the rest of the organization as to the University's priorities. We recommend the University consider whether it is appropriate for the CECO to more regularly provide those updates herself. We also recommend the University consider the data on the following slides, which shows that a majority of peers provide the compliance function with significant input into strategic decisions and hiring decisions, and consider whether changes are warranted (see slide 22 in particular).

In addition, VCU should seriously consider ways in which the CECO and, where appropriate, her team can have exposure to the Committee. In the 2010 Organizational Sentencing Guidelines revisions, one of the changes was to recommend those with day-to-day responsibility for the program be involved in board reporting (not merely in the room). This change was specifically put in place to make sure those individuals had a good working relationship with the members of the governing authority responsible for oversight and would feel comfortable going to them with questions or concerns.
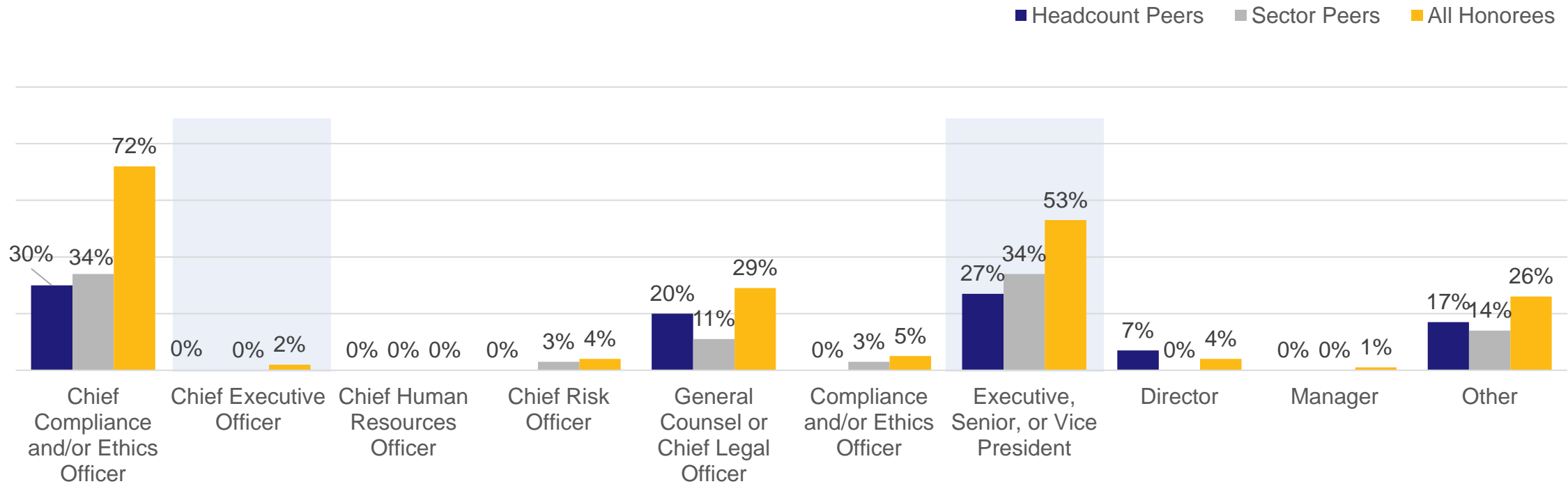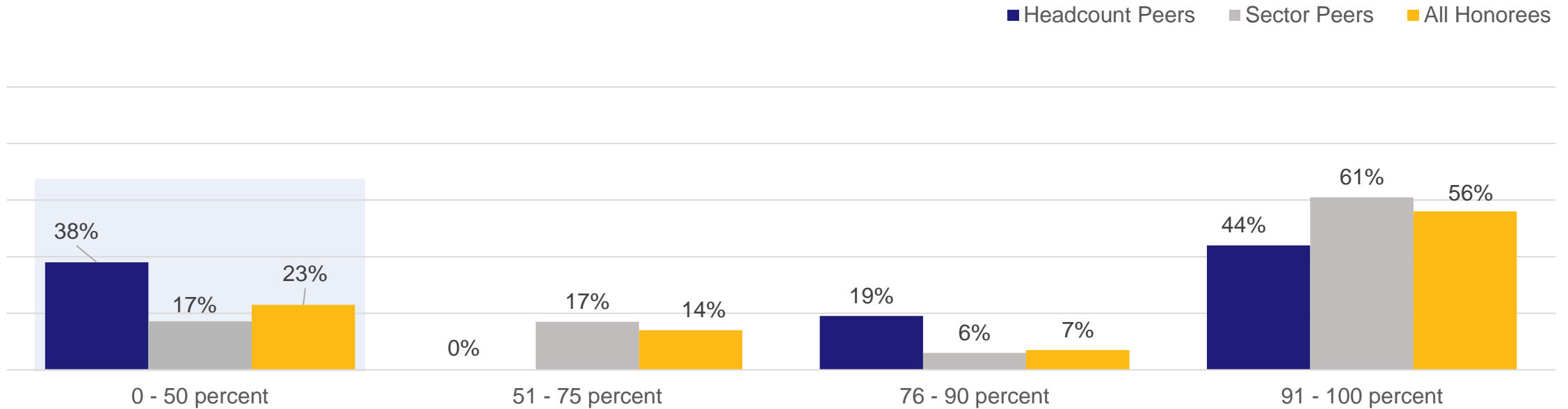
Program Resources and Structure
Managerial Oversight of Compliance and Ethics Program

EQ 4A.4 Given the person assigned overall responsibility for the compliance and ethics program is also the General Counsel and/or dedicates less than 90 percent of their time to the compliance and ethics role, is there a person in addition to the person with overall authority who is assigned day-to-day operational responsibility for the compliance and ethics program?

■ Headcount Peers (n=9) ■ Sectors Peers (n=7)

89% | 100% | 94%

Yes

11% | 0% | 6%

No
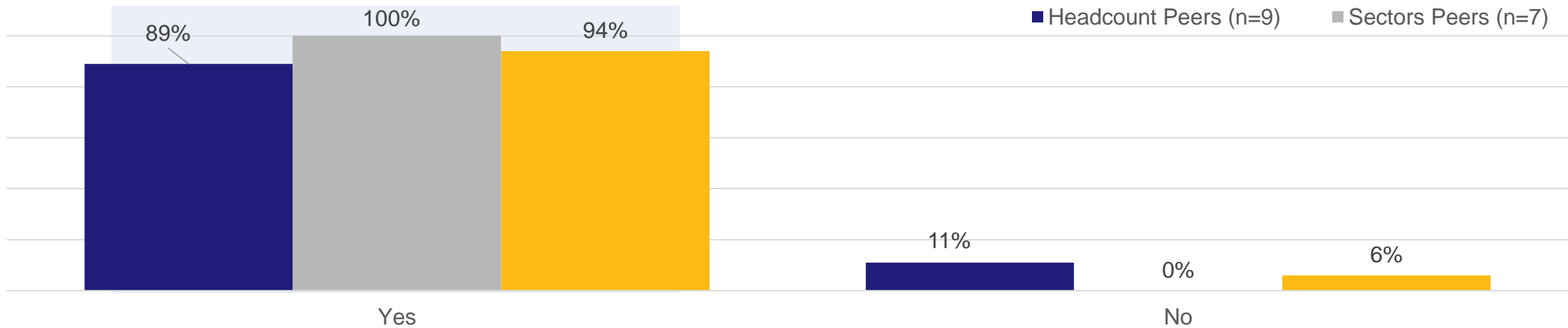
Program Resources and Structure
Strong Board Interaction for the Program

EQ 4A.5 When the person with overall responsibility for the compliance and ethics program communicates with the Board regarding the compliance and ethics program, is the person who is assigned day-to-day operational responsibility for the compliance and ethics program generally present?
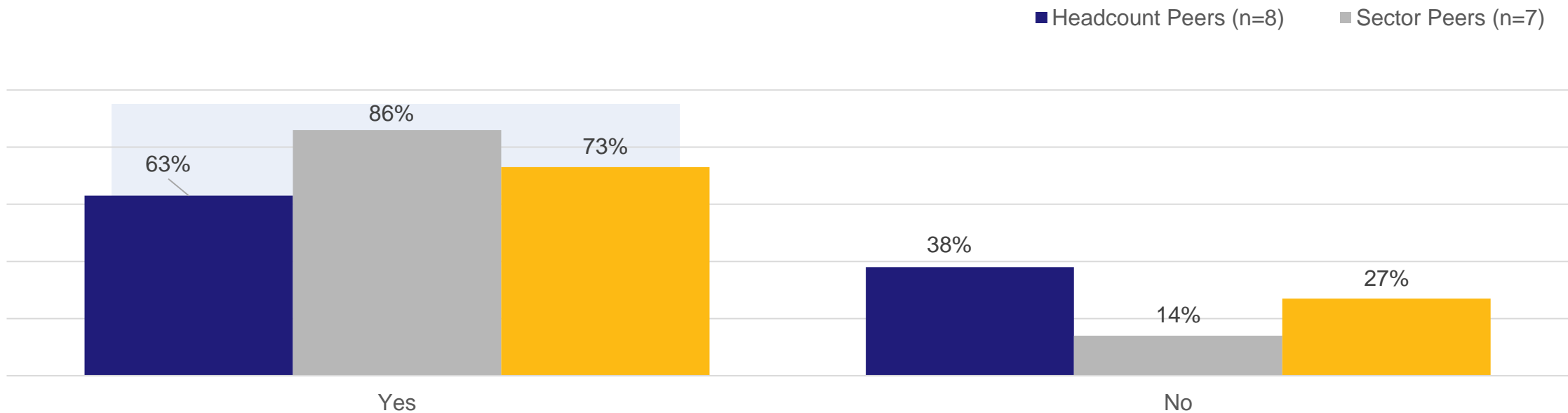
■ Headcount Peers (n=8)　　■ Sector Peers (n=7)

Yes — 63%, 86%, 73%
No — 38%, 14%, 27%

Highlight denotes VCU survey response(s)

19

Program Resources and Structure
Audit Committee Feedback Regarding Performance and Compensation

EQ 4A.7 Is there a documented policy or process requiring that the Board, a committee of the Board, or other governing authority be notified or approve before the person who has been assigned overall responsibility for the compliance and ethics program is terminated?
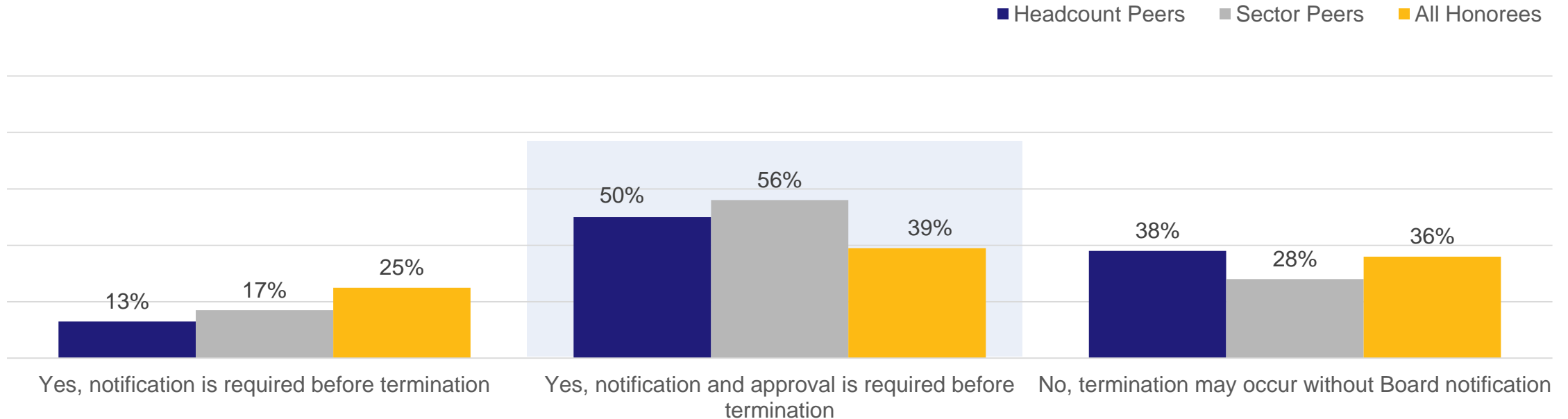
■ Headcount Peers ■ Sector Peers ■ All Honorees

	Yes, notification is required before termination	Yes, notification and approval is required before termination	No, termination may occur without Board notification
Headcount Peers	13%	50%	38%
Sector Peers	17%	56%	28%
All Honorees	25%	39%	36%

Highlight denotes VCU survey response(s)

Program Resources and Structure
Audit Committee Feedback Regarding Performance and Compensation

EQ 4A.9 Who makes compensation decisions for the person assigned overall responsibility for the compliance and ethics program?

■ Headcount Peers　■ Sector Peers　■ All Honorees

The Board or the Board committee that has oversight of compliance and ethics: 31%, 39%, 16%

The direct manager: 50%, 28%, 35%

The direct manager with input from the entire Board: 13%, 22%, 21%

The direct manager with input from the Board committee that has oversight of compliance and ethics: 6%, 11%, 27%
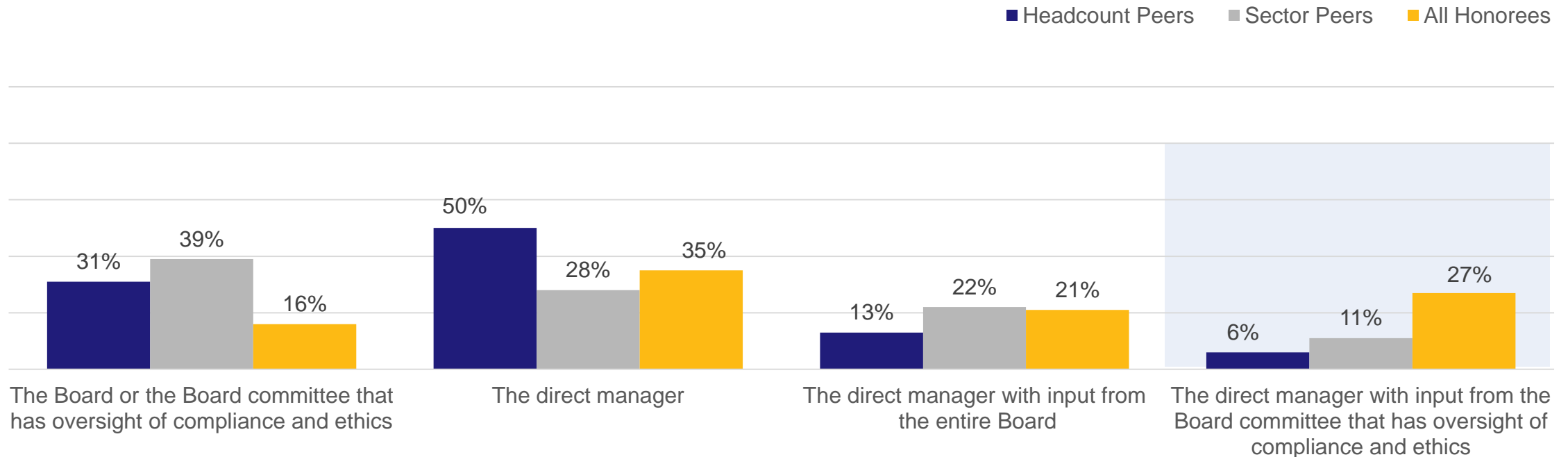
Program Resources and Structure
C&E Authorities

EQ 4A.10 Identify which of the following authorities, if any, are granted to the compliance and ethics function? (Multiple select)

Legend: ■ Headcount Peers ■ Sector Peers ■ All Honorees

Category	Headcount Peers	Sector Peers	All Honorees
Ability to author and/or recommend new business conduct policies	100%	100%	100%
Ability to revise the Code of Ethics and Business Conduct	100%	100%	99%
Primary budget responsibility for all compliance and ethics programs	100%	100%	98%
Primary hiring authority for all positions in the compliance and ethics function	100%	100%	97%
Input on other hiring/firing decisions regarding positions of authority	94%	94%	81%
Final approval authority for compliance personnel and initiatives	100%	100%	91%
Significant input/role in strategic business development decisions	100%	83%	87%
Significant input/role in product or services decisions	75%	72%	66%
Significant input/role in overarching product/supplier sourcing tactics	94%	94%	90%

Highlight denotes VCU survey response(s)

Program Resources and Structure
Consider the Case for Additional Headcount and Implementing an Ambassador Program

Finding: VCU is behind the median for both its sector and headcount peers, having reported four full-time employee ("FTE") equivalents dedicated to compliance and ethics functions/activities in the ICO. Median staffing numbers are reflected on the following pages. The University does not maintain an "ethics ambassador" network across the organization, although there is a robust Compliance Advisory Committee that allows significant coordination across functions, and with compliance area leads who are responsible for specific risk areas.

Recommendation: The University is making good use of related control functions like HR/Equity and Access Services (note, for purposes of this report, all references to HR include EAS unless otherwise noted) and Internal Audit across the organization, but as noted, does not maintain an ambassador program. Those liaisons and support are not FTE substitutes.

The FTE numbers provided for peers do, in most cases, include investigators, which at VCU fall within both the ICO team and the HR team. That said, even excluding the investigators from peer sizing analysis, the VCU team is lean for the organization's size and revenue, as well as compared to sector peers. Ethisphere recommends considering whether there is a business case to be made for one or even two additional FTEs in the ICO, or perhaps implementing a grad-level intern program to get additional assistance. One trend we are seeing many companies examine now is adding someone with communications-specific expertise, to focus specifically on ethics-related communications.

In addition, consider whether to implement an ambassador-type program for the ethics office specifically. A majority of peers have leveraged individuals in the business to serve as on-premises representatives of the ethics program. These are generally individuals who work in other functions across the organization but are well-respected leaders to whom others look for advice.

Program Resources & Structure
Consider Increase in Resources to Match Peers

Table EQ 4A.19 – What is the approximate number of full-time employee ("FTE") equivalents dedicated to compliance and ethics function/activities throughout your organization?

	Sector Peers	Headcount Peers	All Honorees
Average FTEs	41	16	100.2
Median FTEs	21	12	22.5
Standard Deviation	19	20	381.6

Program Resources and Structure
Robust Compliance Advisory Committee with Good Representation

Finding: The use of ethics and compliance steering committees to track issues, identify trends, and disseminate messages is becoming common among VCU's peer groups, and VCU's Compliance Advisory Committee is an excellent representation of this trend. Effective steering committees that are engaged and meet regularly are tremendous drivers of ethics and compliance programs, acting as a complementary resource to those responsible for ethics and compliance programs, as well as to supporting departments such as Human Resources, Legal, and Internal Audit. Such committees are usually made up of senior—but functional—representatives of the relevant control functions such as ethics, compliance, Human Resources, Internal Audit, IS, Risk, and other relevant functions as needed to address the organization's specific circumstances. VCU's committee includes representatives of every expected function.

Recommendation: Our only concern with VCU's current committee is its large size, which requires a disciplined attention to the agenda to navigate. Our interviews provided a general picture of a well-run meeting, but we caution the ICO team to remain diligent in this respect to maximize the value such a committee can bring, and to consider whether smaller groupings for specific topics might further its work. Meetings of this sort provide a significant opportunity for informal overlap of control function data.

There are a variety of things ordinarily discussed at peer organization steering committee meetings, many of which VCU currently includes. Leading practices we have seen include:

- Detailed discussions around training priorities and plans
- Using the committee to identify underutilized communication channels
- Reviewing risk assessment findings
- Additional opportunities to increase coordination
- Ways to standardize investigations and reporting metrics

Ensure that the goals and priorities of the committee meetings are examined on a periodic basis to verify that the forum is providing the necessary support to drive ethics and compliance initiatives, such as promoting ethics and compliance initiatives. These may include the rollout of new manager materials, spotting ethics and compliance issues and trends, and sharing the responsibilities for ethics and compliance across the organization.

Program Resources and Structure
Robust Internal C&E Committee with Good Cross-Functional Representation

EQ 4A.15 Does your organization have an internal committee dedicated to compliance and ethics?
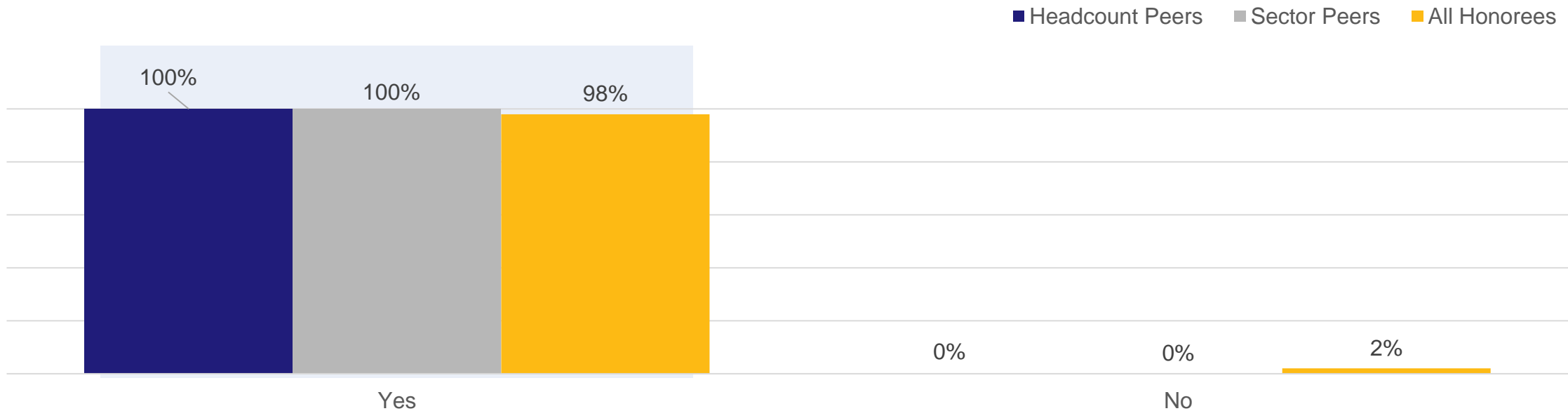
■ Headcount Peers   ■ Sector Peers   ■ All Honorees

	Yes	No
Headcount Peers	100%	0%
Sector Peers	100%	0%
All Honorees	98%	2%

Program Resources and Structure
Robust Internal C&E Committee with Good Cross-Functional Representation

EQ 4A.18 Indicate which topics are regularly discussed during the internal compliance and ethics committee meetings. (Multiple select)

Topics	All Honorees Data	Headcount Peer Data	Sector Peer Data
Overall program performance and key program initiatives	96%	92%	100%
Hotline and reporting statistics	95%	94%	94%
Misconduct investigations and resolutions	92%	89%	89%
Compliance training and communication initiatives	96%	94%	100%
Compliance program assessment	92%	86%	100%
Program benchmarking	92%	89%	100%
Compliance and ethics risk management	96%	97%	100%
Culture of ethics	94%	94%	94%
Significant regulatory updates	97%	94%	100%
Information security	85%	81%	100%
Privacy risk management	83%	78%	94%
Industry trends	95%	94%	94%
Other topics	42%	47%	56%

Highlight denotes VCU survey response(s)

Perceptions of Ethical Culture

Perceptions of Ethical Culture Section Description

In order to have an effective ethics and compliance program, an organization must understand the culture of its workforce and continually measure the organization's overall ethical health and compliance environment.

Ethisphere views and evaluates the ethical climate at a particular organization by systematically measuring employees' perceptions across several key areas. Are employees aware of where to find compliance resources? Are those in leadership and management positions viewed as trustworthy? Do employees experience any degree of pressure to compromise VCU's standards of conduct to meet business objectives? Is it believed that the rules (and corresponding penalties for breaking them) are fair?

Summary Recommendations

❑ Enhance the presence of leadership in training courses
❑ Expand demographics and enhance participation in future culture survey initiatives

Section Considerations:

✓ 2018 *Ethics Quotient* survey responses

✓ VCU's 2017 *Ethical Culture Survey* Data

Feature Leadership Prominently in Training Courses

Finding: In the training examples and outlines provided, the review team could not locate an instance where an executive other than the University President introduced a training topic.

Additionally, based on the 2017 VCU culture survey data provided to the review team, it appears there is a slightly less favorable perception among University employees that those in leadership positions demonstrate integrity and ethical behavior.

Recommendation: Recent analysis of Ethisphere's global Culture Quotient© revealed employees' positive perception of the quality and effectiveness of the ethics and compliance function's efforts in communicating, training, and support correlates strongly with positive perceptions of the conduct, values, and communications of senior leadership (correlation coefficient of 0.85).

The review team suggests that VCU utilize messages from a variety of senior leaders—or heads of schools—in its cornerstone training courses. The correlation mentioned above suggests doing so would further evince the authenticity of the tone at top. Diversifying the voices delivering messaging about the importance of ethical conduct could also expand its reach to all corners of the University; in particular, try to link specific topics to particular leaders for whom those risks present particular challenges.

Perceptions of Ethical Culture
Consider Expanding Demographics in Upcoming Surveys

Finding: VCU has conducted a University-wide culture survey every other year. Conducting an ethical culture survey on a periodic basis is a best practice shared by a majority of peers.

A well-structured ethical culture survey can be a tremendously valuable tool in identifying those areas of the business where employees have concerns about speaking up, or areas where managers are doing a particularly good job in supporting the integrity message. That said, robust demographic information and a significant response pool are both key to making sure that such an analysis is possible. In addition, a broad set of questions is recommended to provide the compliance function with adequate insights to improve the program.

Recommendation: As shown in the following slides, VCU's culture survey response rate is lagging behind its peers.

We suggest considering additional ways to bolster participation. For instance, explore what kind of communication opportunities might exist to explain to employees how much the University wants their input. If there is feedback the University received in the last survey that led to a change in process, providing that information to employees as a practical "this is why your insights matter" example should help to increase the response rate.

Another way to bolster response rates is to monitor survey participation in real-time across all units during the runtime period. That way, targeted communications can be deployed mid-survey to encourage participation in needed areas.

In addition, look closely at the demographic information that was gathered as part of the last survey exercise. On average, companies that do our ethical culture and perceptions assessment collect six different demographic identifiers, which allows for extensive analysis once the survey is closed.

Ethical Culture & Tone
Organizational Health and Culture Assessment

EQ 4G.10 Which topics are included in the Dedicated Culture Survey? (Multiple select)

Highlight Indicates VCU Responses	WME Honorees	Headcount Peers	Sector Peers
Survey Topic			
Awareness of compliance resources	94%	100%	86%
Ethical leadership or tone from the top	89%	86%	100%
Manager's ethical leadership	89%	86%	100%
Whether the employee has observed misconduct	86%	71%	86%
Whether the employee is comfortable reporting misconduct	85%	100%	100%
Perception of the compliance and ethics function	82%	86%	86%
Organizational justice	81%	86%	93%
Peer environment and culture	80%	57%	86%
Effectiveness of the Code	69%	71%	57%
Effectiveness of policies	68%	71%	50%
Effectiveness of compliance training	66%	86%	64%
Whether the employee feels pressure to commit misconduct	61%	57%	79%
Whether the employee would recommend to take a job at the organization	28%	0%	50%

33

Written Standards

Written Standards Section Description

Ethisphere evaluates the organization's written code of conduct, key standalone policies, and other relevant standards. Well-written, comprehensive, and well-communicated policies, procedures, and controls play a critical role in preventing and detecting misconduct, reducing the likelihood of violations, and ensuring a satisfactory state of compliance for an organization.

Written standards must be literally available, meaning that an employee can find the documents, as well as linguistically available, meaning the employee could understand the behavior expected of them after reading the policy.

Section Considerations:

- ✓ VCU's *Code of Business Conduct*
- ✓ VCU's *Supplier Code of Business Conduct*
- ✓ 2018 *Ethics Quotient* survey responses
- ✓ Key VCU Policies

Written Standards Summary Recommendations

- ❑ Make Code more easily accessible on VCU's website
- ❑ Consider addressing additional risk areas
- ❑ Revise Code to lower grade level and simplify language
- ❑ Lower grade level of policies
- ❑ Create a true Supplier Code of Conduct

Consider More Prominent Location for the University's Code

Finding: VCU's *Code of Conduct* ("Code") was most recently updated in 2018. It is a bit difficult to locate on the University's website; the review team had to click through several different sections to find the document. The Code is presented as an interactive eBook (which can be downloaded as a static PDF), and an ADA-accessible PDF of the text is also provided.

The Code addresses many of the expected risk areas and generally provides sufficient practical guidance, as well as ample links to outside resources, including policies, infographics, web sites, and even videos. In particular, the review team was impressed by the video addressing diversity and inclusion. In light of the increasing emphasis on this issue in the ethics and compliance space, VCU is to be commended for this messaging.

However, the Code does not address several risk areas we would usually expect to see. For example, we could not locate discussions of gathering information appropriately (e.g., other researchers) or protecting third parties' information (e.g., partners or other entities who provide the University with information in order to do work collectively). In addition, the discussion of anti-corruption does not define "bribe" or "kickback," which could make it difficult for employees to recognize potential issues and understand what behaviors are expected of them.

The Code uses good inclusive "we" language, though its sentence structures are sometimes more complex. At grade 15, the Code's reading level is above Ethisphere's recommended range of grade 10 to 12. While we understand that many VCU employees are highly educated and capable of reading at such a level, using complex language can lead to reader fatigue.

VCU's Code makes good use of stakeholder- and values-based language. This communicates the "why" behind ethical conduct and helps employees better understand the importance of their own actions. The Code's layout is highly engaging and clearly branded to the University, with excellent organization-specific images. To help readers navigate the resources and links it provides, the Code includes a section at the end called "Decoding Our Code."

(*Recommendation on subsequent page)

Written Standards
Consider More Prominent Location for the University's Code

Recommendation: On the whole, the review team was very impressed with VCU's Code. Creating an interactive eBook is a leading practice that we are seeing more and more innovative programs implement. We recommend making the Code easier to access. Consider placing a link on the front page of VCU's website or on the "Mission and History" page.

Upon the next revision of the Code, consider expanding the risk topic discussions to ensure that all relevant topics are addressed. In addition, VCU may wish to review the Code with an eye to simplifying language where possible.

While the "Decoding Our Code" section is helpful, it may be more useful to readers at the start of the document, so they can use this information to make the most of the Code as they read it. Consider moving this section to the beginning of the Code.

Revise Reading Level of VCU Policies

Finding: Ethisphere reviewed a handful of key VCU policies and interviewed the University's senior policy and compliance specialist. When reviewing policies, Ethisphere considers many of the same factors as it does for codes of conduct, but places particular emphasis on three areas: readability and tone, comprehensiveness of content, and ownership information. Our standard is, "If I were a organization employee, could I find this policy? If so, would I read this policy and understand what I was supposed to do or not do, and where to go with questions?"

VCU maintains a library of standalone policies, many of which are publicly available online. Its "policy on policies" clearly describes the process of creating, updating, and managing policies, and the organization has dedicated personnel to following that process. At the moment, it is fairly manual, with limited technology-enabled workflow management, but the University runs an annual workshop on writing policies and has developed a style guide to ensure consistency and governance process to ensure appropriate reviews and approvals.

The vast majority of the policies that VCU provided employ a standard structure, with the notable exception of the FCPA policy which is purely website text. The structure includes all of the elements we would expect to see, such as ownership information, definitions of key terms, and FAQs.

The policies are very comprehensive and provide good practical guidance, but they are written in somewhat impersonal, authoritative third-person language that is at times rather complex. For example, the *Intellectual Property* Policy registers at a grade 17, or a graduate school level. As with the Code, we understand that many of VCU's employees may be capable of reading at this level. However, such complex language can often lead to reader fatigue and reduce the likelihood that employees will truly absorb the policies' guidance.

Recommendation: Ethisphere recommends that VCU consider devoting some resources to reviewing and revising its ethics and compliance policies to make them easier to read. Many organizations are adopting a standard reading level for policies; we generally recommend that policies should be written around a grade 12 level, to allow employees to easily read and retain the important guidance they offer. That said, if the University wants to vary the reading level by topic, that is also a common practice, and in that case we recommend carefully considering the typical audience for a given topic and adjusting language accordingly. Whichever approach is taken, be sure to include a readability analysis as part of the policy approval process to ensure this question is a standard consideration.

While we understand that FCPA is a lower risk area for the University, we also recommend developing a FCPA or anti-bribery policy to replace the current website language.

Written Standards
Ethics and Compliance Policy Distribution

EQ 4C.6 How are ethics and compliance policies generally distributed throughout your organization? (Multiple select)

■ Headcount Peers ■ Sector Peers ■ All Honorees

	Based on risk, some policies are sent at least annually via email, either as attachments or as a link to downloadable file(s)	All policies are provided on an site or portal that is accessible across the entire enterprise	Based on risk, some policies are provided in hard copy at least annually to those employees without computer or internet access	Policies are translated into all languages necessary to educate the employee base on the applicable risk or topic	Hyperlinks to policies are included within some of our training	Policies are provided as part of training	Our policies are distributed in a unique fashion
Headcount Peers	63%	100%	19%	88%	94%	94%	25%
Sector Peers	67%	100%	33%	6%	89%	72%	44%
All Honorees	62%	97%	31%	67%	91%	85%	40%

Written Standards
Written Policies by Risk Topic

EQ 4C.5 Select the risk topics from the list below that are addressed in your organization's written policies separate from the Code.

Topics	All Honorees Data	WME Headcount Peer Data	WME Sector Peer Data
Information security	100%	100%	100%
Gifts and entertainment	99%	100%	100%
Equal employment opportunity	99%	100%	100%
Data privacy	99%	100%	100%
Workplace health and safety	99%	100%	100%
Confidential information	99%	100%	100%
Procurement integrity	98%	100%	100%
Workplace harassment	97%	100%	100%
Social media	97%	100%	94%
Records management	97%	100%	100%
Fair employment	96%	100%	94%
Conflicts of interest	96%	100%	100%
Financial integrity	96%	100%	100%
Non-retaliation	96%	100%	91%
Protecting organization assets	95%	94%	100%
Anticorruption	94%	100%	78%

Highlight denotes VCU survey response(s)

Written Standards
Consider Adopting Supplier Guidance

Finding: VCU provided several documents outlining procurement guidelines and how suppliers are expected to do business with VCU. However, these documents do not describe the ethical conduct expected of suppliers as they represent VCU, which we would typically expect to see in a Supplier Code of Conduct.

Recommendation: Ethisphere recommends that VCU create a true Supplier Code of Conduct to outline the ethical commitments that suppliers must meet. Such documents typically address many of the same risk areas as employee codes of conduct, such as bribery, conflicts of interest, harassment and discrimination, and gifts and entertainment. They generally also state the organization's right to audit suppliers and the expectation that suppliers will train their employees on ethics and compliance-related topics. Supplier codes are briefer than employee codes—generally about 3000 words in length.

Training & Communication

Training & Communication Section Description

Ethisphere examines information regarding the organization's current compliance training and communications programs to determine their quality and effectiveness.

Ethisphere seeks to ascertain whether initiatives are adequately planned and periodically evaluated for effectiveness, and whether the training is mandated for all employees, including senior management. Ethisphere also reviews whether this training obligation is ongoing and effective, including how the organization enforces its training requirements.

Lastly, Ethisphere reviews the extent to which the organization is providing information to managers on their special role in supporting the ethics and compliance program. Research continues to provide us with data indicating that immediate supervisors are not only the most likely source for information regarding an employee concern, but they are also the most looked-to role model for appropriate behavior. As a result, training these individuals to provide the right example of "how we do things here" is critically important to the success of the program and support of the culture.

Key Summary Training & Communication Recommendations

- ❑ Keep learners engaged through mature training mechanisms such as progressive course difficulty
- ❑ Review current systems to identify places where "just in time" training can be deployed
- ❑ Deploy a planning approach that incorporates training and communications strategies together
- ❑ Further equip managers with information (and resources) about their responsibilities to support the program
- ❑ Leverage the relationship with other leaders to diversify the voices delivering the integrity message around VCU

Section Considerations:

- ✓ 2018 *Ethics Quotient* survey responses
- ✓ Interviews with VCU leadership
- ✓ Key documents evidencing the training and communications program at VCU

Training & Communications
Consider a Multi-Year Training and Communications Plan

Finding: VCU's current training planning process is focused on University-wide mandatory training, which occurs yearly. Specific additional training on particular risk areas is also deployed. The training outlined is risk based, but the University utilizes limited function-specific training. In addition to ethics and compliance training, other functions (such as Human Resources and IS) also deploy training. Our interviewees were divided on how well coordinated those efforts currently are across functions.

VCU is not currently utilizing its Compliance Advisory Committee to plan out risk-specific training in a holistic fashion between functions, although the topic is often discussed as part of broader discussions with that group.

While this activity is outside our review process, the review team was made aware of current ongoing efforts to assess training using the Compliance Advisory Committee, and commends the ICO for this effort.

Recommendation: Ethisphere recommends that the University review its current training plan and look to expand into multi-year planning, as nearly all peer companies do. This is a place where the Compliance Advisory Committee might be especially impactful, identifying work other control functions are doing that the ICO might be able to leverage for its purposes, or identifying particular times where other training is being deployed that might preclude ICO-deployed training.

Training and Communications
Document C&E Training Curriculum

EQ 4E.2 Does your organization have a formally documented compliance and ethics training curriculum or plan?

Legend: ■ Headcount Peers ■ Sector Peers ■ All Honorees

Yes: 100% / 100% / 100%
No: 0% / 0% / 0%
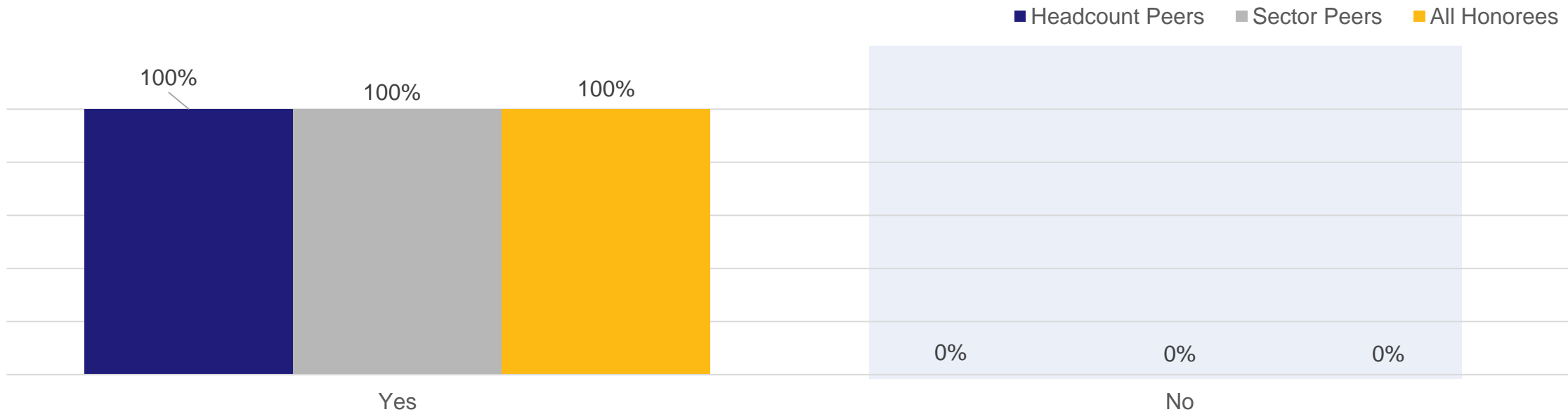
Training & Communications
Opportunities to Mature Training and Communications Planning

EQ 4E.3 Select the following that apply to your organization's compliance and ethics training curriculum or plan. (Multiple select)

■ Headcount Peers ■ Sector Peers ■ All Honorees

VCU was not presented the question due to survey skip logic.

44

Training & Communications
Revise Training Plan

EQ 4E.4 How does your compliance and ethics training curriculum or plan define target audiences? (Multiple select)

■ Headcount Peers   ■ Sector Peers   ■ All Honorees

	Job level	Employee tenure	Employee function	Business unit	Location	Whether the employee has direct report(s)	Unique characteristic
Headcount Peers	81%	19%	94%	81%	88%	75%	50%
Sector Peers	94%	12%	100%	88%	41%	65%	35%
All Honorees	86%	24%	96%	86%	78%	67%	43%
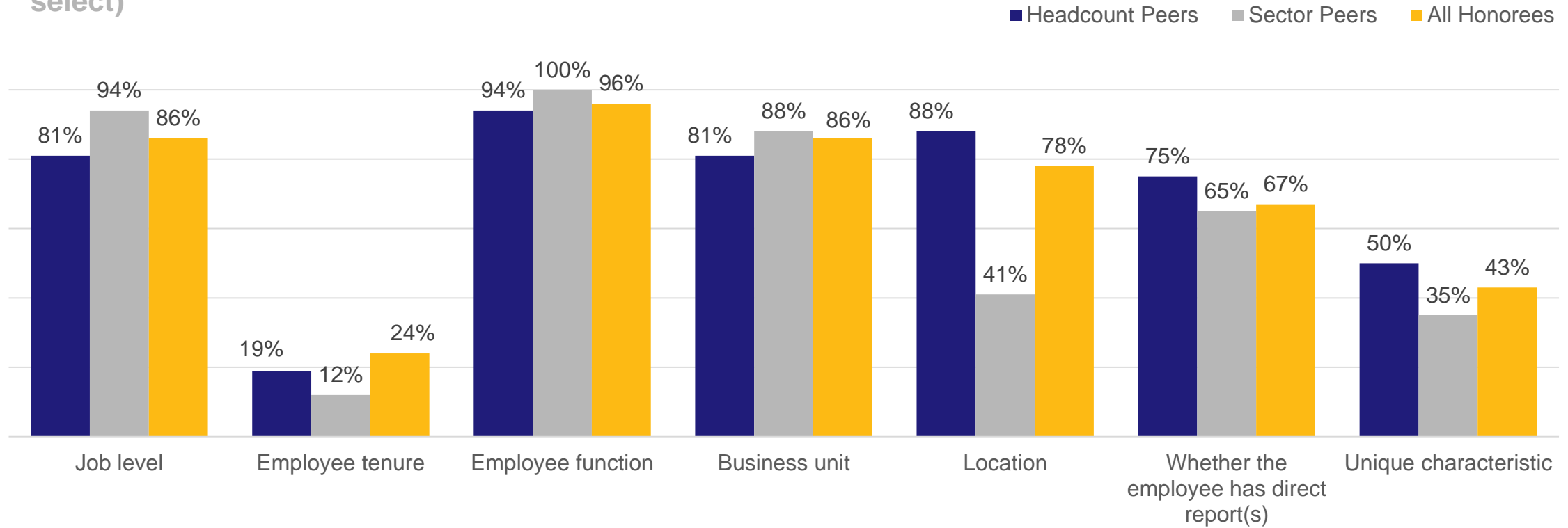
VCU was not presented the question due to survey skip logic.

Training & Communications
C&E Training Best Practices

EQ 4E.6 Indicate how the following targeted, risk-specific training programs are administered to employees in addition to or instead of Code of Conduct training. (Multiple select)

All Honorees Data	Training delivered asynchronously (i.e., on-demand) using online or digital modalities	Training delivered synchronously (i.e., live) using online or digital modalities	Training delivered synchronously (i.e., live) using in-person training sessions
Anticorruption/bribery	41%	23%	36%
Antitrust/competition	39%	23%	38%
Confidential information	45%	22%	33%
Conflicts of interest	42%	24%	35%
Data privacy laws and regulations relevant to employee, customer, or consumer data	45%	23%	33%
Equal employment opportunity/diversity/discrimination	46%	23%	31%
Fair employment/labor standards	44%	23%	33%
Financial integrity and fraud	44%	22%	34%
Gifts and entertainment	42%	23%	35%
Information technology	47%	22%	30%
Non-retaliation policy and/or whistleblower protections	43%	21%	36%
Procurement integrity/dealing with supplier/supply chain oversight	41%	21%	38%
Records management and retention	46%	22%	32%
Social media	50%	30%	30%
Workplace harassment	45%	33%	33%
Workplace health and safety	42%	36%	36%

Highlight denotes VCU survey response(s)

Training & Communications
Consider Additional Mechanisms to Incentivize Completion of Training and Mature Just-in-Time Training

Finding: As noted, most of VCU's current training is University-wide, although risk-specific training is deployed on sanctions and anti-corruption risk as needed. Our interviews indicated that training is an area where the colleague experience has been mixed in terms of coordination between departments, although the current training was praised as more engaging than prior years. Our interviews also indicated that, while the University's training completion rates are high, the process of achieving those rates is a manual one, with the burden largely falling on the ICO team with the assistance of HR. The review team will note that the new Learning Management System (LMS), launched in February 2018, has assisted with achieving on-demand feedback for all managers.

Recommendation: Ethisphere recommends that the University look at available systems to identify places where "just in time" training can be deployed. An example is a travel booking system. Compliance officers are starting to insert red flag notifications into those systems for travel to certain countries, which would trigger a short course or communication to that employee of the rules regarding travel in that jurisdiction (e.g., an employee traveling to Russia would get a reminder about information security concerns and the gift and hospitality levels in that country). Similarly, before receiving approval to attend an industry event, employees might have to take a short antitrust course. Ethisphere recommends raising this option internally and examining the systems the University might use to implement such an approach beyond the work currently being done by the Office of Research and Innovation.

In addition, consider ways to streamline the process of achieving high training completion rates. In addition to leveraging HR, which the ICO currently does, as well as (where appropriate) an employee's manager, we are seeing organizations institute incentives for those units that complete their training first, thus highlighting those who achieve compliance as opposed to those who lag. Consider whether such an approach could be utilized at the University, especially if led by more senior University personnel.

Training & Communications
Consider Additional Mechanisms to Incentivize Completions

EQ 4E.9 How does your organization encourage or enforce completion of compliance and ethics-related training? (Multiple select)

■ Headcount Peers ■ Sector Peers ■ All Honorees

	Completion of training is factored into performance evaluations	Completion of training is factored into raise and/or bonus decisions	Department heads or business unit leaders are held accountable for completion rates	Managers are held accountable for completion rates of direct reports	Direct reminder email(s) periodically delivered to participants with outstanding training obligations	Direct late notice email(s) delivered to participants that failed to complete the training in the desired timeframe	Other encouragement techniques
Headcount Peers	8%	8%	11%	11%	23%	23%	15%
Sector Peers	56%	39%	33%	33%	94%	89%	83%
All Honorees	44%	25%	51%	48%	95%	90%	69%

Training & Communications
Consider Mature Training Practices that are Function-Focused

VCU Integrity and Compliance

EQ 4E.8 Which of the following compliance- and ethics-related training practices does your organization utilize? (Multiple select)

■ Headcount Peers ■ Sector Peers ■ All Honorees

Chart data:

Practice	Headcount Peers	Sector Peers	All Honorees
Pretests to assess baseline knowledge and assign individual curriculum or course(s) accordingly	38%	17%	25%
Pretests to provide employees an opportunity to "test out" of training	6%	11%	21%
Progressive course difficulty based on employee job responsibilities	19%	28%	37%
Progressive course difficulty based on employee tenure	6%	0%	7%
Allowing employees to select or self-direct the topics covered in a certain amount of their required training	25%	17%	25%
None of the above	50%	50%	35%

Highlight denotes VCU survey response(s)

Training & Communications
Establish Manager Professional Development Curriculum

Finding: As noted in the "Ethical Culture and Tone" section, managers are not consistently provided with targeted training about all of their special responsibilities to support the University's ethics and compliance program, especially among those manager groups with higher levels of turnover. HR is providing managers with statutorily required training around harassment and related topics.

As Alex Dimitrief, former General Counsel of GE, notes in his *Integrity Matters* podcast, there is no better messenger for an ethics program than your direct leader. Actively promoting your individual perspective on an issue is tremendously impactful (see also *Integrity Matters* at 29:29).

Recommendation: As already identified during Ethisphere's interviews, there clearly is an opportunity to further equip managers with information about their responsibilities to support the ethics and compliance program and, more importantly, the resources to assist them.
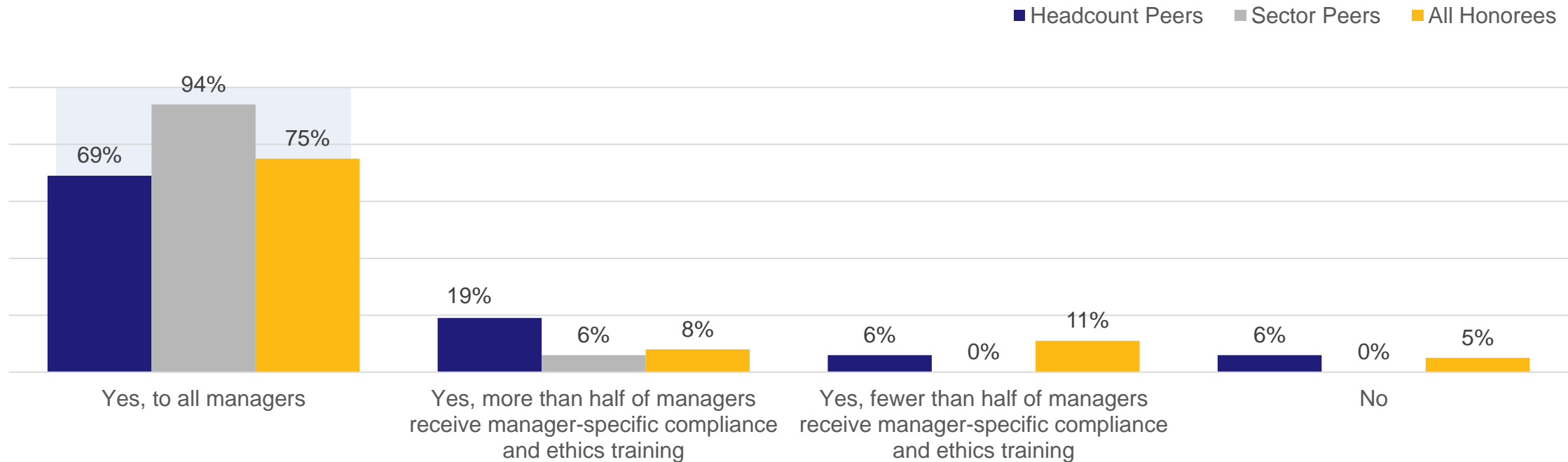
We recommend establishing a manager professional development learning curriculum for all levels of managers, which would include training for all existing managers as a level-setting exercise, new manager training as a part of onboarding for incoming managers, and periodic refresher training for tenured managers. The content should cover addressing employee concerns, actively listening to employee concerns, incorporating ethical decision-making into conversations with direct reports, creating an open-door environment, the University's commitment to non-retaliation, the investigation process and, most importantly, understanding why all of that matters. Peer practices in this area are set out in the following slides.

Also consider whether there is an opportunity for more experienced managers to "mentor" newer managers to make sure they are prepared for the scope of their responsibilities.

[1]Dimitrief, Alex, *Integrity Matters* podcast audio, October 3, 2017, https://bela.ethisphere.com/integrity-matters/, 6:30

Training & Communications
Establish Manager Professional Development Curriculum

EQ 4E.11 Select the following that applies to the manager training on compliance and ethics. (Multiple select)

Legend: ■ Headcount Peers ■ Sector Peers ■ All Honorees

Category	Headcount Peers	Sector Peers	All Honorees
Conducted as a part of new manager orientation	80%	83%	78%
Conducted on a periodic basis, at least every two years	67%	89%	72%
Content is reviewed and refreshed periodically, at least every two years	80%	89%	84%
Tracked for completion rates	87%	89%	86%
Includes testing that measures manager training knowledge comprehension	67%	44%	56%
Testing results are tracked and maintained	40%	28%	43%
Completion of training is a part of a manager's performance evaluation	33%	61%	31%
Completion is mandatory for all managers with direct reports	53%	67%	65%
None of the above	0%	0%	2%

Training & Communications
Establish Manager Professional Development Curriculum

EQ 4E.12 Select the following topics that are addressed by the manager training on compliance and ethics. (Multiple select)

Legend: ■ Headcount Peers ■ Sector Peers ■ All Honorees

Category	Headcount Peers	Sector Peers	All Honorees
Effectively communicating ethics to subordinates	80%	100%	90%
Promoting a culture of compliance and ethics	87%	100%	98%
Incorporating ethics in business decision making	87%	100%	94%
Encouraging employees to speak up and report	93%	100%	98%
Handling employee reports or concerns	80%	100%	94%
Identifying and preventing retaliation	80%	100%	90%
Creating and maintaining an open door environment	93%	100%	94%
Conducting employment interviews	47%	50%	49%
Other topics	33%	44%	30%

Highlight denotes VCU survey response(s)

Training & Communications
Develop a Documented Communication Plan for Ethics-Related Initiatives

Finding: VCU maintains a yearly communication plan for ICO-related initiatives that includes materials from the University's newest vendor, Broadcat. While senior leaders are more than willing to support the program, such activities are more ad hoc than matched to training and other University events, and the majority of messages are delivered by the ICO or other related control functions, and not by other leaders across the University.

The University is making good use of real-life fact patterns in its current communications, however, which is a leading practice.

Recommendation: As the next slide indicates, the vast majority of the University's peers maintain a documented communication plan that covers communication activities from multiple functions. For half of similarly-situated organizations, that plan covers multiple years (most commonly two years), which allows for greater visibility into topics to be covered as well as additional planning around meetings that might provide a good forum for messaging. The review team recommends the University move to such a planning process, and incorporate topics that are planned by compliance area leads in addition to ICO-directed initiatives.

In addition, examine opportunities to diversify the voices delivering integrity messaging by, for example, asking heads of schools or colleges to utilize one of their gatherings to discuss a particular issue. This has two advantages: first, it moves the conversation away from email, which can often get lost, and second, it allows the local leader to put the topic in her own words, which her direct reports will often find more impactful. This may be one place where the Compliance Advisory Committee could be particularly impactful, especially around major initiatives.

Training & Communications
Opportunities to Expand Compliance and Ethics Communications Plan

EQ 4E.15 Does your compliance and ethics function maintain a documented compliance and ethics communication plan?
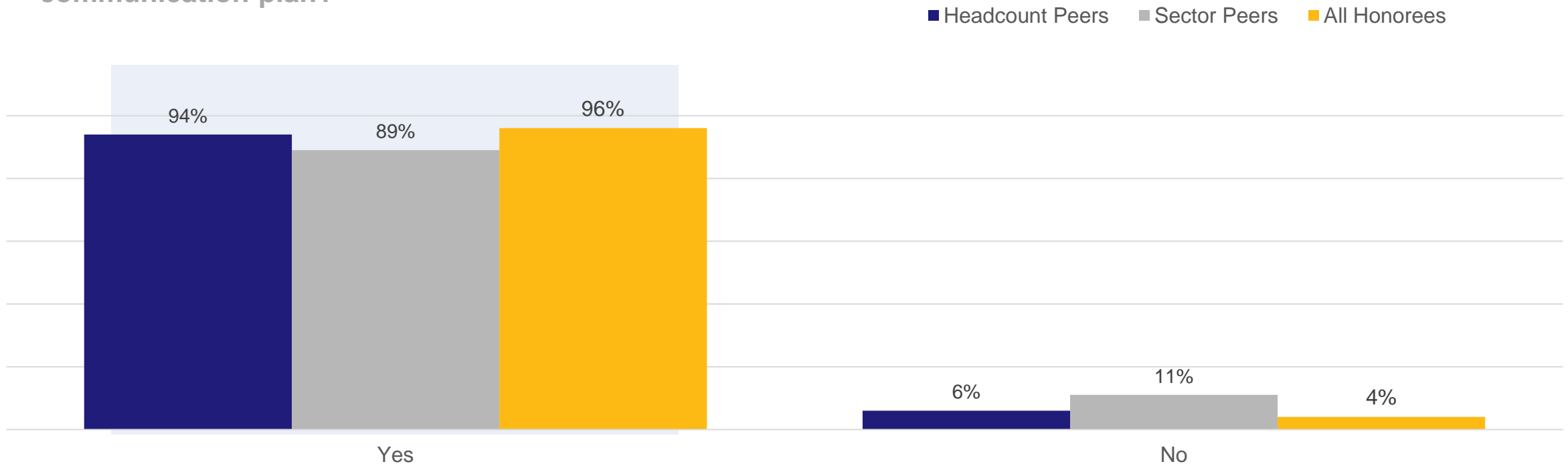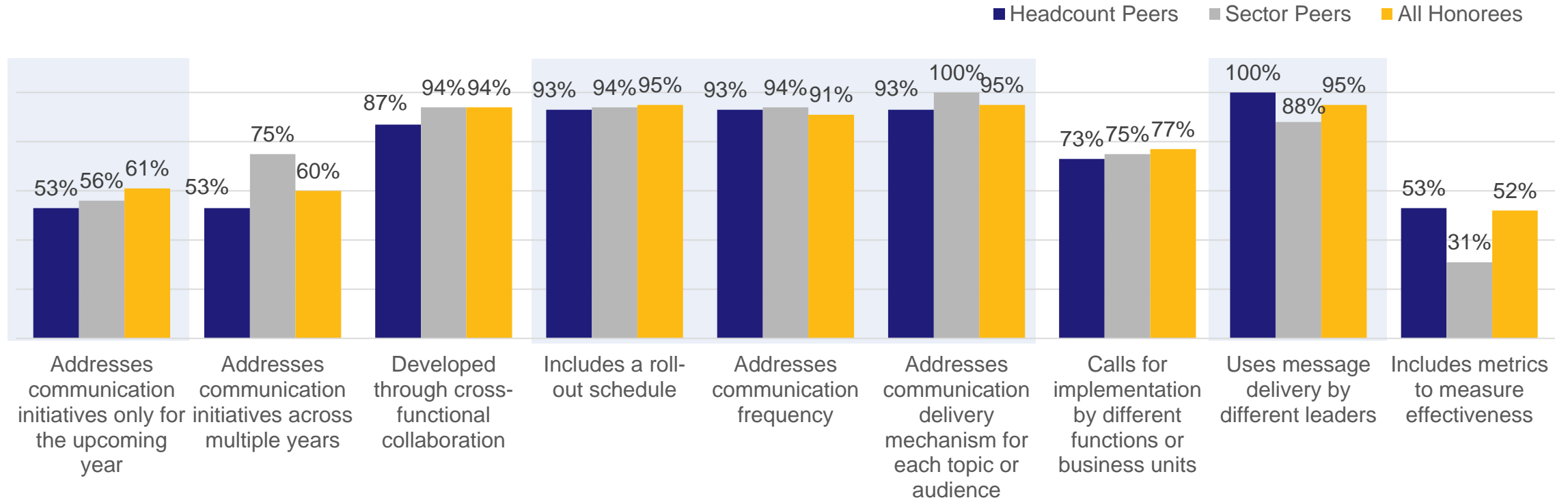
■ Headcount Peers   ■ Sector Peers   ■ All Honorees

Training & Communications
Opportunities to Expand Compliance and Ethics Communications Plan

EQ 4E.16 Select the following that apply to your organization's compliance and ethics communications plan. (Multiple select)

Legend: ■ Headcount Peers ■ Sector Peers ■ All Honorees

- Addresses communication initiatives only for the upcoming year: 53%, 56%, 61%
- Addresses communication initiatives across multiple years: 53%, 75%, 60%
- Developed through cross-functional collaboration: 87%, 94%, 94%
- Includes a roll-out schedule: 93%, 94%, 95%
- Addresses communication frequency: 93%, 94%, 91%
- Addresses communication delivery mechanism for each topic or audience: 93%, 100%, 95%
- Calls for implementation by different functions or business units: 73%, 75%, 77%
- Uses message delivery by different leaders: 100%, 88%, 95%
- Includes metrics to measure effectiveness: 53%, 31%, 52%

Training & Communications
Opportunities to Expand Compliance and Ethics Messaging

EQ 4E.20 Select which types of communication involving senior executives outside the compliance function, such as the CEO, are used to discuss compliance and ethics within your organization.

Communication Modalities	All Honorees Data	Headcount Peer Data	Sector Peer Data
Personalized letter of introduction to the written Code of Conduct	93%	100%	94%
Personalized introduction to compliance and ethics training	83%	81%	67%
Emails to the workforce	90%	94%	83%
Onboarding video	57%	44%	61%
Intranet site video	60%	56%	44%
Podcast	7%	0%	0%
Town hall meetings lead by senior leadership	87%	94%	83%
Internal meetings involving senior leadership	96%	94%	94%
Interactive Q&A forum, chat functionality	37%	38%	44%
Compliance and ethics blog by member(s) of senior leadership	33%	19%	22%
Newsletter	55%	31%	72%
Social media	40%	50%	22%

Highlight denotes VCU survey response(s)

Training & Communications
Communicate About Real-Life Events

EQ 4E.22 Does the compliance and ethics function include examples of real world ethical or compliance dilemmas or issues in their communications?
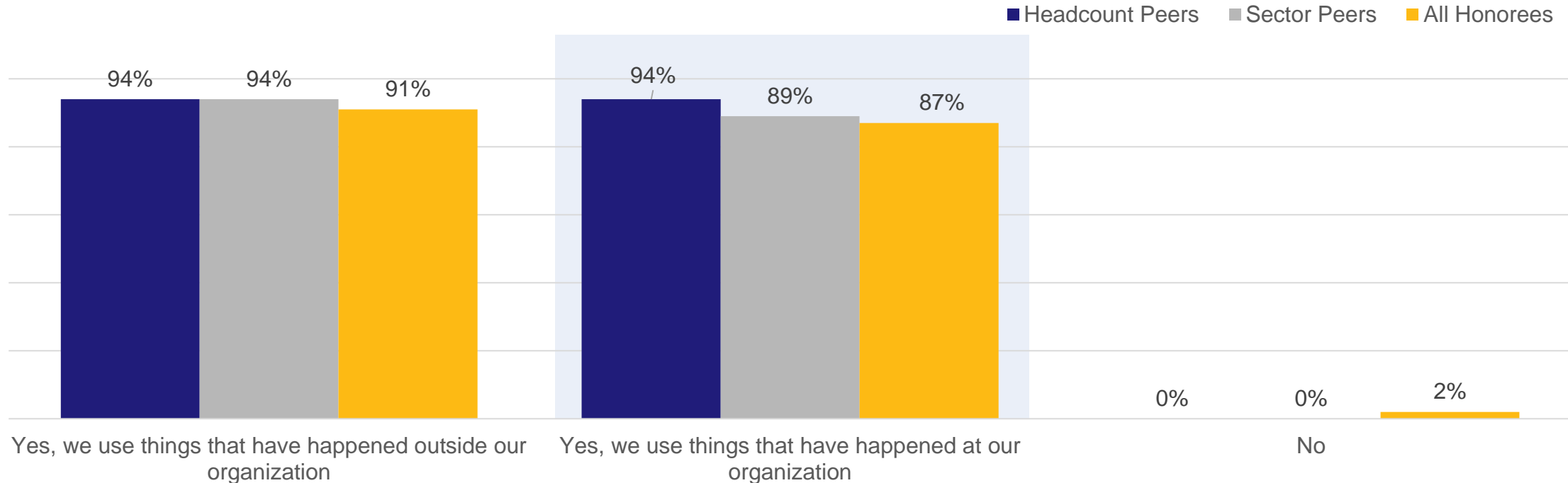
Training & Communications
Review Training Effectiveness Metrics

Finding: VCU is tracking to peer companies in some of the key measures of effectiveness it is currently utilizing to measure whether training is working. This is an area of continuing challenge for many organizations. After all, the average learner retains approximately 10 percent of what we see, 30 to 40 percent of what we see and hear, and 90 percent of what we see, hear, and do (see "Adult Learning," by Malcolm S. Knowles, *The ASTD Training & Development Handbook: A Guide to Human Resource Development*, Robert L. Craig, editor, 1996).

Very little compliance training targets all three types of learning. Measures of training effectiveness like post-training quizzes are extremely common, and the University is using them, but while they measure immediate comprehension of the material, their longer-term utility in measuring behavior change is limited.
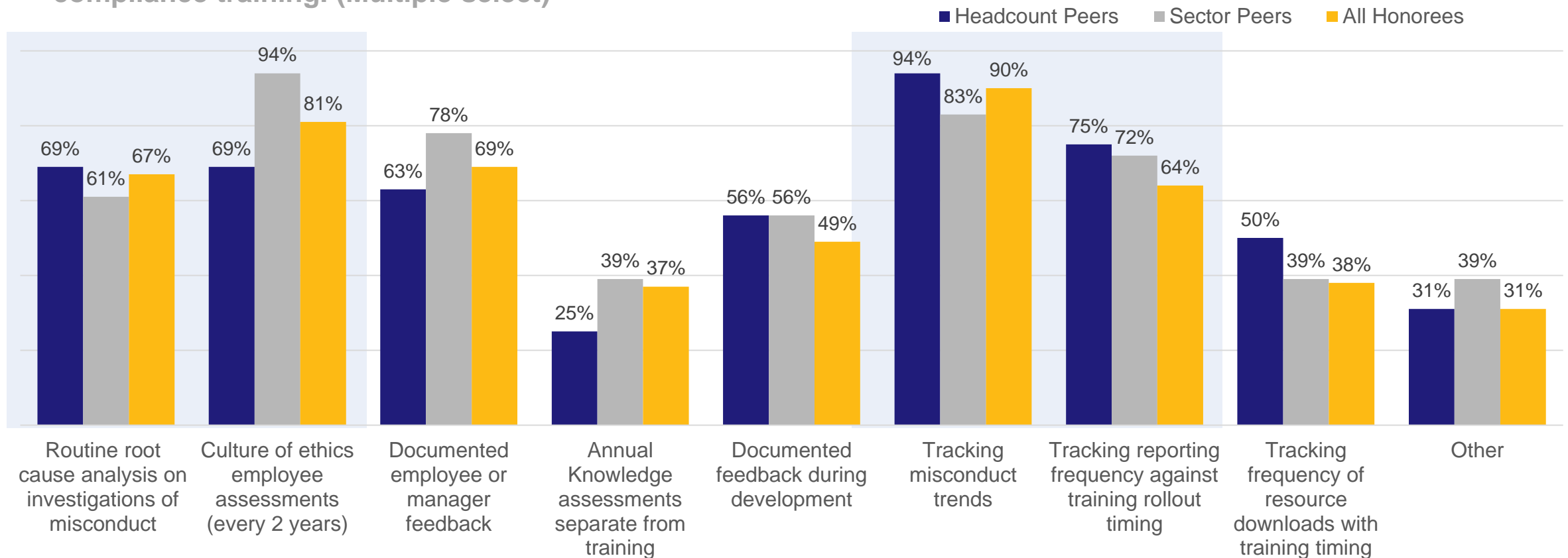
Recommendation: As the chart on the following page reflects, most of VCU's peers are using a variety of methods to measure training effectiveness. One key measurement method that the University is not currently utilizing is policy access. Spikes in access to particular policies, a spate of questions about a particular area, or a series of reports on a particular issue can all be indications that training is working. While our interviews suggested that ICO personnel or HR personnel are seeing that kind of activity, especially following training, the University is not collecting that information in a format where it can be easily utilized. One potential half-step might be a regular short survey to compliance area leads or managers on a quarterly basis asking them to rank the areas they're getting questions on (i.e., please rank the following topics from first to last, etc.). Another option is to raise the regular request made at the Compliance Advisory Committee for trends to something more formal.

A little more than a quarter of peers are utilizing knowledge assessments—spot quizzes, either online or via audit questions—that measure retained knowledge. Fifty percent of Industry Peers are tracking policy access, looking for spikes that indicate a particular course or modality hit a nerve. Of course, the ability to do so requires a robust case management system utilized by all relevant parties that also captures open-door reports to the extent feasible, as well as a process of tracking click metrics on University materials.

Training & Communications
Explore Additional Methods to Evaluate Training Effectiveness

EQ 4E.14 Identify which of the following methods you utilize to measure the effectiveness of your compliance training. (Multiple select)

Legend: ■ Headcount Peers ■ Sector Peers ■ All Honorees

Category	Headcount Peers	Sector Peers	All Honorees
Routine root cause analysis on investigations of misconduct	69%	61%	67%
Culture of ethics employee assessments (every 2 years)	69%	94%	81%
Documented employee or manager feedback	63%	78%	69%
Annual Knowledge assessments separate from training	25%	39%	37%
Documented feedback during development	56%	56%	49%
Tracking misconduct trends	94%	83%	90%
Tracking reporting frequency against training rollout timing	75%	72%	64%
Tracking frequency of resource downloads with training timing	50%	39%	38%
Other	31%	39%	31%

Highlight denotes VCU survey response(s)

Risk Assessment, Monitoring & Auditing

Risk Assessment, Monitoring & Auditing Section Description

Section 5 focuses on how the organization identifies its key risks and accordingly determines how to allocate related resources (both inside the compliance function and outside of it). This includes determining whether the organization conducts periodic evaluations of the effectiveness of its ethics and compliance program, as well as whether it uses a risk assessment system to evaluate the organization's high-risk areas. Supply chain oversight systems and anti-corruption compliance efforts are taken into account, as applicable. Ethisphere also evaluates whether the organization employs auditing and monitoring systems designed to prevent and detect misconduct. Among other things, it looks into whether the organization operates a whistleblower system, providing employees mechanisms by which they can anonymously report misconduct and seek guidance on issues or questions. In addition, organizations have made tremendous progress over the last decade in consolidating their case management systems into an integrated tracking platform, and we review the extent to which efforts are being made to utilize such an approach. Finally, Ethisphere reviews whether the organization is using reasonable efforts to exclude from positions of high authority any individuals who have engaged in illegal activities or other improper conduct.

Key Risk Assessment, Monitoring & Auditing Summary Recommendations

❑ Bolster the current risk assessment process using systematic metrics, such as usage of ICO resources

❑ Continue implementation of new processes around individual and institutional conflicts of interest monitoring

❑ Continue work to integrate case management systems and review current use of root cause analysis

Section Considerations:

✓ 2018 *Ethics Quotient* survey responses

✓ Interviews with VCU leadership

✓ Key documents evidencing risk assessment, monitoring and auditing efforts

Risk Assessment, Monitoring & Auditing
Enhance Risk Assessment Process Using Data as Part of Root Cause Analysis

Finding: VCU maintains a robust and multi-function risk assessment process, with the ICO partnering closely with Internal Audit in assessing risk. The process includes collaborative sessions and multiple stakeholders. In addition, the University's conflicts of interest disclosure system has been significantly upgraded and will provide interesting metrics for use in future risk analysis. Current use of systemic metrics, such as phishing rate failures, is limited but our interviews suggested interest in adding data sources to the process. The current process of aligning budget to risk appetite is also limited.

The University is not currently utilizing a routinized root cause analysis process on all investigations, regardless of reporting source, although our interviews indicated that both HR and the ICO are interested in doing so and are doing so on major inquiries, and that root cause is a regular documented practice in the Internal Audit team.

Recommendation: The University's risk assessment process, while strong, could benefit from a more systematic use of metrics, such as on manager usage of resources, open rates on emails from ICO, data associated with other integrity-related messaging, and more.

Ethisphere recommends that VCU also consider finding a place in the process for additional information gathering, perhaps through Internal Audit's site visits. We see organizations arming Internal Audit with three to four questions to ask people in order to assess awareness of resources and comfort level in raising concerns (see, e.g., the Kaplan and Walker blog post titled "Audit Interviews Regarding Employee C&E Knowledge," available at kaplanwalker.com).

Additionally, consider the current root cause analysis process on investigations. We are increasingly seeing companies not only conduct root cause analysis on substantiated cases, but also on unsubstantiated cases from a cultural perspective. In other words, the organization will ask, "What caused this person to raise this concern?" Even if there was not a code or policy violation involved, there is still information to be gathered by asking about motivations. Our observation is that there is often a cultural component that may need to be addressed.

Finally, identify places where budget and risk appetite could be more closely aligned; this will allow the University to full unlock the power of a solid risk assessment and leverage coordinated activities more easily.

Risk Assessment, Monitoring & Auditing
Continue Integration of Case Management System Usage

Finding: VCU maintains several different ways to raise a concern depending upon your role at the organization, including a hotline, the Maxient system, the HR function, and the Ombudsperson. As a result, the organization also has historically maintained multiple tracking systems, although steps have been taken to rapidly align the Convercent case management system as the primary system along with the Maxient system. HR responsibility is also bifurcated depending on function; faculty HR matters are under the Office of the Provost.

The Convercent system includes proxy reporting functionality, and managers have received training on how to use that proxy reporting system to easily submit issues raised directly to them into the Convercent system.

Responsibility for investigations is shared by different functions, primarily Student Affairs, HR/EAS, and the ICO, with support from other functions like IS as needed. ICO oversees those investigations that come in to their tracking process, even if those investigations are conducted by others. In-person meetings are utilized to coordinate investigations with a variety of groups (VCU Health Sciences, multi-functional VCU Health System Coordination Meetings, and a 'trends and themes' university quarterly meeting), as well as one on one meetings. A broader review of trends is also conducted at Compliance Advisory Committee meetings.

Maintaining multiple systems makes it challenging to ensure that the same disciplinary approach is being followed for similar misconduct. "Lessons learned" analysis is conducted on certain cases, primarily those involving allegations of sexual violence. Review of discipline for calibration across the organization appears to have been ad hoc.

Risk Assessment, Monitoring & Auditing
Continue Integration of Case Management System Usage

Recommendation: Our dataset indicates that, on average, 65 percent of those employees who saw something reported it to their manager. As a result, ensuring that managers can easily route misconduct matters into the case tracking system and understand the reasons why doing so is important. The ICO has strong practices to make sure managers understand the proxy reporting process, and we recommend that continues to be an area of focus.

Utilizing one consistent system with consistent tagging of issues, root cause analysis terms, and follow-up channels across the organization has moved from leading practice almost to baseline expectation. This becomes even more important when responsibility for investigations—and the remedial actions that arise from those investigations—is the responsibility of a variety of functions, depending on the topic being investigated and the individuals involved. Without an overarching view into disciplinary decision-making, it is difficult to ensure that similar disciplinary decisions are being made for similar types of misconduct, which often exacerbates perceptions of a lack of organizational justice. We recommend that the Maxient system's functionality should be examined and weighed against the functionality of the Convercent system. If the University determined to continue multiple systems, be sure the coordination remains rigorous.
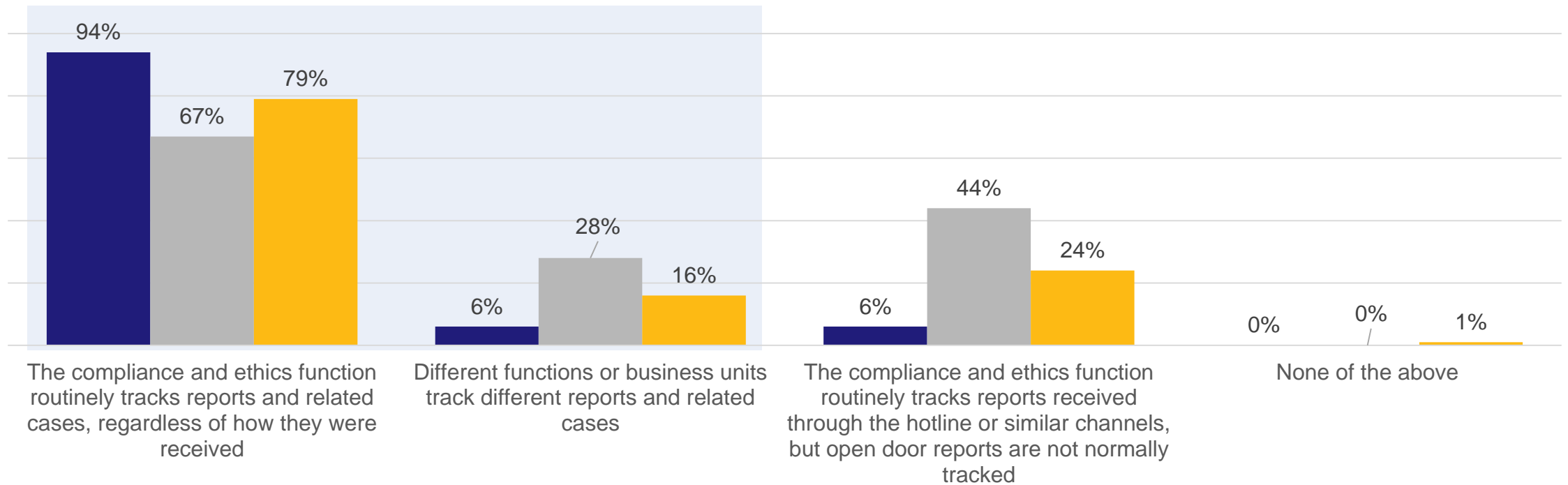
Finally, review the varied use of root cause analysis and verify that all groups conducting investigations are utilizing a root cause process consistently. Ideally, a common case management system will facilitate use of a common taxonomy, allowing tracking and trending analysis over time. Increasingly, companies are moving to one consistent investigation process and report template, as reflected in our 2018 BELA Special Report on Root Cause (data on slide 65), where we found a full third of the community is training investigators together.

Risk Assessment, Monitoring & Auditing
Tracking Misconduct Reports

EQ 4H.2 Indicate how your organization tracks reported incidences of ethical misconduct. (Multiple select)

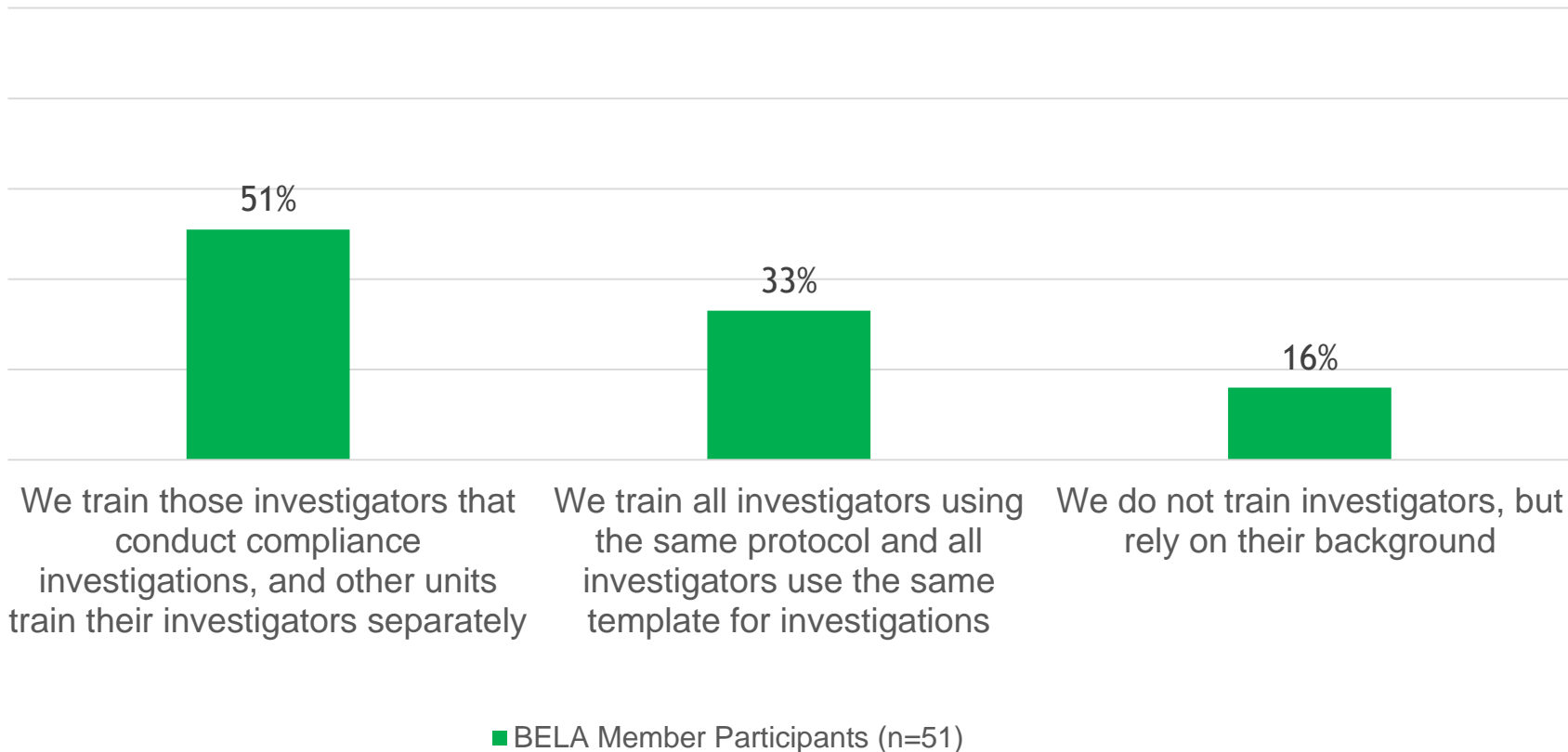Legend: ■ Headcount Peers ■ Sector Peers ■ All Honorees

Category	Headcount Peers	Sector Peers	All Honorees
The compliance and ethics function routinely tracks reports and related cases, regardless of how they were received	94%	67%	79%
Different functions or business units track different reports and related cases	6%	28%	16%
The compliance and ethics function routinely tracks reports received through the hotline or similar channels, but open door reports are not normally tracked	6%	44%	24%
None of the above	0%	0%	1%

Risk Assessment, Monitoring & Auditing
Consider Consolidated Training for Investigators

Chart – How is your organization training investigators?

51%
We train those investigators that conduct compliance investigations, and other units train their investigators separately

33%
We train all investigators using the same protocol and all investigators use the same template for investigations

16%
We do not train investigators, but rely on their background

■ BELA Member Participants (n=51)

Risk Assessment, Monitoring & Auditing
Further Communicate About Reporting Information

Finding: VCU has solid practices around sharing certain kinds of statistics, particularly those related to student matters (harassment, etc.). Data is also shared publicly through the University's website via the *Integrity and Compliance Annual Report*, which covers training (both topics covered and numbers trained), reported concerns, including anonymity rates and substantiation rates, as well as the University's ERM process. It is a very robust resource; that said, the review team was not able to ascertain whether the University is tracking the extent to which that information is accessed.

The University has also shared some information on its investigation process on the "Compliance Investigations" section of the ICO's website, which covers at a high level the process the ICO would use in the event a concern is raised. That information is supplemented by information in the *Integrity and Compliance Annual Report*, provided the inquiring individual has read both.
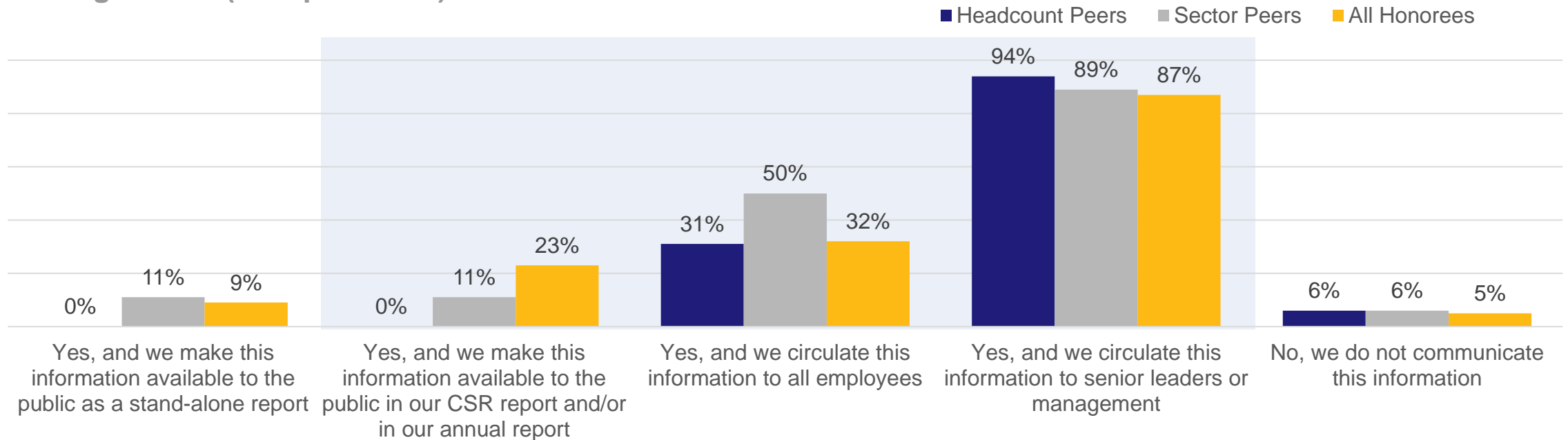
Recommendation: As noted, the current *Integrity and Compliance Annual Report* is a robust resource that should be shared broadly; Ethisphere recommends the University consider the extent to which the information in it is reaching its stakeholders, through a tracking and perhaps a communication initiative. Consider asking leaders to specifically share information of interest to their specific schools or colleges, or look for other opportunities to highlight the good work showcased in the report. In addition, to the extent feasible, look for opportunities to share the data between editions of the report.

We are also seeing a trend where organizations are specifically communicating around their reporting process, including the steps they take, the average length of time an investigation might require, and the types of people the organization might need to speak with, in an effort to educate stakeholders on the process. These efforts have been well received; generally speaking, any transparency that can be brought to the system pays dividends. Consider the extent to which VCU can move to showing what happens when something goes into the reporting systems.

Risk Assessment, Monitoring & Auditing
Strong Practices in Delivering Reporting Metrics Broadly

EQ 4F.7 Separate from reports to the Board or other governing authority, does your organization communicate how many concerns were reported, the types of concerns reported, and the results of reports and investigations? (Multiple select)

Legend: ■ Headcount Peers ■ Sector Peers ■ All Honorees

	Yes, and we make this information available to the public as a stand-alone report	Yes, and we make this information available to the public in our CSR report and/or in our annual report	Yes, and we circulate this information to all employees	Yes, and we circulate this information to senior leaders or management	No, we do not communicate this information
Headcount Peers	0%	0%	31%	94%	6%
Sector Peers	11%	11%	50%	89%	6%
All Honorees	9%	23%	32%	87%	5%

Enforcement, Discipline & Incentives

Enforcement, Discipline & Incentives Section

The program components that comprise enforcement, discipline, and incentives have undergone tremendous growth over the last few years and remain an area of considerable focus for regulatory authorities. This reflects a growing understanding that the systems that incentivize and promote employees across an organization are the best culture markers, and culture creators, available to a organization.

Ethisphere reviews whether the organization enforces and encourages compliance through disciplinary measures and incentives, and whether the promotion system and performance evaluation systems allow for ethics and compliance input. Ethisphere also verifies whether the organization is taking reasonable steps to respond to and prevent instances of similar misconduct, including making any necessary changes to its policies and procedures.

Lastly, we consider the extent to which companies are taking advantage of available data to monitor the wellbeing of those who have raised concerns.

Section Considerations:

✓ 2018 *Ethics Quotient* survey responses

✓ Interviews with VCU leadership

✓ Key documents evidencing elements of the program specific to enforcement, discipline and incentives

Key Enforcement, Discipline & Incentives Summary Recommendations

❑ Consistently provide all managers with manager-specific training on retaliation

❑ Review the current ways in which VCU is monitoring those employees who raise concerns for indicia of retaliation across reporting channels, and consider a process where the organization explicitly and regularly checks back in with those individuals after the close of an investigation

Enforcement, Discipline & Incentives
Consider Following Up with Known Reporters

Finding: The primary reason most employees do not raise a concern is a fear of retaliation. That is why many organizations have moved beyond the mere maintenance of a non-retaliation policy to regular monitoring for signs of retaliation. The ICO is utilizing some mechanisms to monitor employees who raise concerns for indicia of retaliation, but the maintenance of multiple systems across the organization complicates consistent use of mechanisms such as following up with those employees who raise a concern post-investigation to see if they have any concerns in its aftermath. In addition, not all functions that conduct investigations conduct the kind of monitoring that ICO does, which it refers to as "retaliation watch." In addition, the ICO checks in with those who participate in an ICO-conducted investigation six months following the close of the investigation to discuss how things are going.

While managers receive information regarding VCU's non-retaliation policy, the content is minimally mentioned in annual training and with new hires and new Chairs.

Recommendation: In line with the manager training finding and recommendation set forth in the "Training and Communications" section, Ethisphere recommends that VCU consider consistently providing all managers with enhanced manager-specific training on retaliation. This should cover why retaliation is such a concern, what retaliation looks like to an employee, and how to avoid engaging in retaliation.
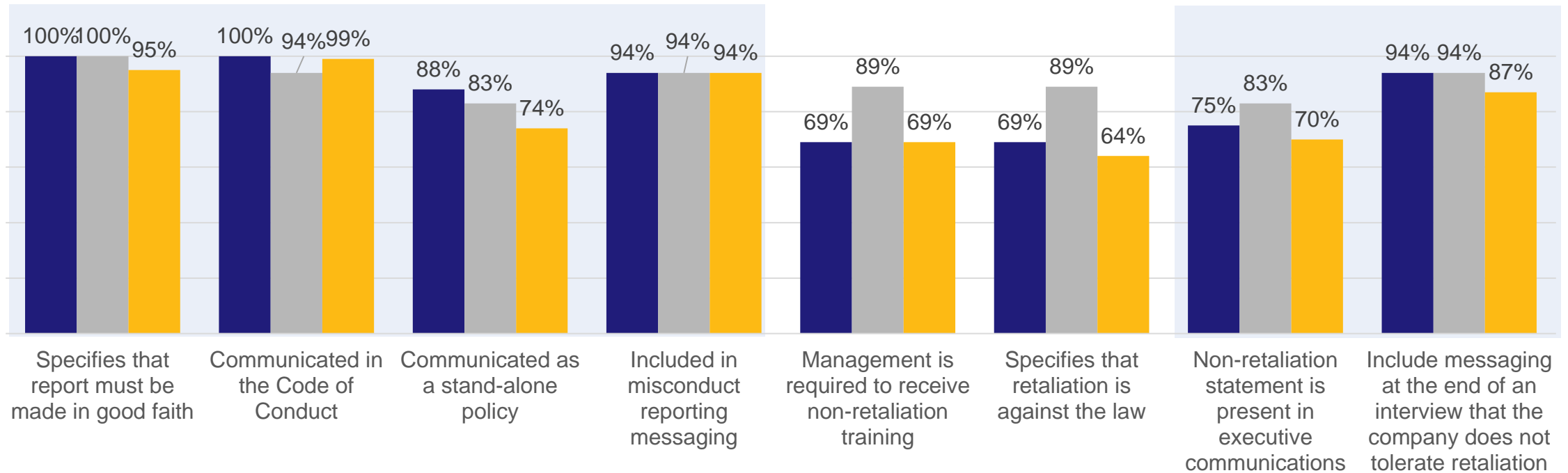
We also recommend that the University review the current ways in which it is monitoring those employees who raise concerns across functions for indicia of retaliation across the organization, and consider whether it is appropriate to implement a process where the organization explicitly checks back in with those individuals post-close of an investigation, regardless of who investigated the issue. This is a growing practice and provides an opportunity to thank known reporters, ask about their experience with the process, and reaffirm VCU's commitment to non-retaliation.

Enforcement, Discipline and Incentives
Strong Non-Retaliation Communication Practices with Opportunities to Expand

EQ 4H.3 Indicate which of the following aspects, if any, apply to your organization's non-retaliation policy? (Multiple select)

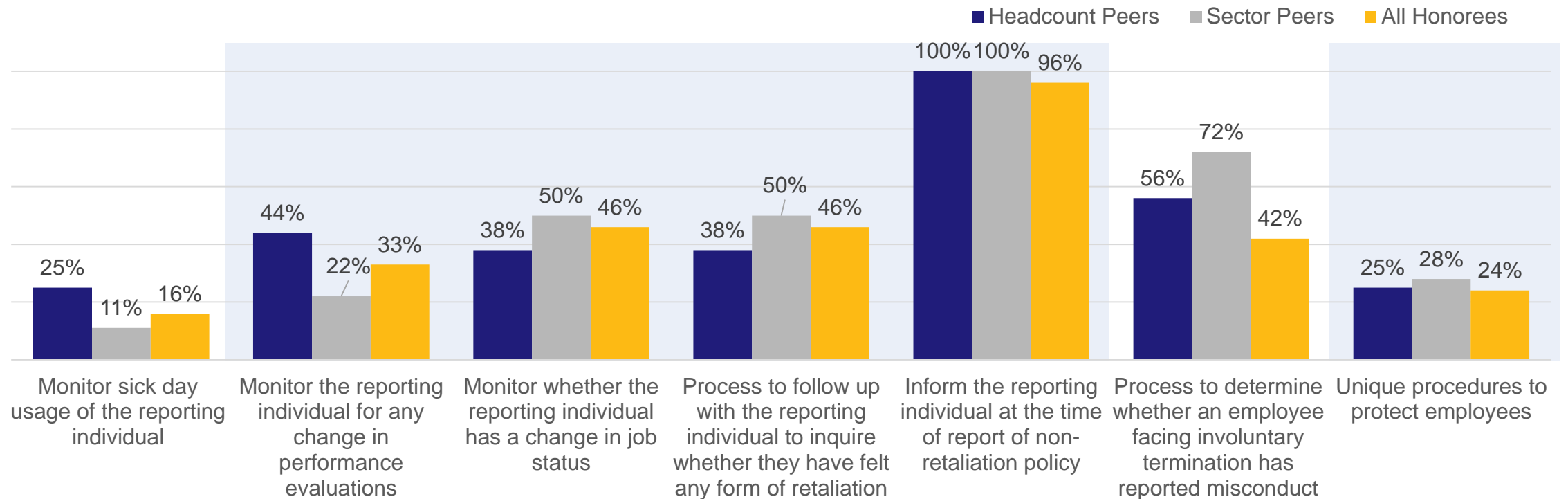■ Headcount Peers ■ Setor Peers ■ All Honorees

	Headcount Peers	Setor Peers	All Honorees
Specifies that report must be made in good faith	100%	100%	95%
Communicated in the Code of Conduct	100%	94%	99%
Communicated as a stand-alone policy	88%	83%	74%
Included in misconduct reporting messaging	94%	94%	94%
Management is required to receive non-retaliation training	69%	89%	69%
Specifies that retaliation is against the law	69%	89%	64%
Non-retaliation statement is present in executive communications	75%	83%	70%
Include messaging at the end of an interview that the company does not tolerate retaliation	94%	94%	87%

Highlight denotes VCU survey response(s)

71

Enforcement, Discipline and Incentives
Strong Practices to Protect Those Who Raise Concerns from Retaliation

EQ 4H.4 Indicate which established procedures your organization has to protect employees who report suspected misconduct. (Multiple select)

Legend: ■ Headcount Peers ■ Sector Peers ■ All Honorees

Monitor sick day usage of the reporting individual: 25%, 11%, 16%

Monitor the reporting individual for any change in performance evaluations: 44%, 22%, 33%

Monitor whether the reporting individual has a change in job status: 38%, 50%, 46%

Process to follow up with the reporting individual to inquire whether they have felt any form of retaliation: 38%, 50%, 46%

Inform the reporting individual at the time of report of non-retaliation policy: 100%, 100%, 96%

Process to determine whether an employee facing involuntary termination has reported misconduct: 56%, 72%, 42%

Unique procedures to protect employees: 25%, 28%, 24%

Appendix A:
Management Interview Participants

Appendix A
Management Interviews

The following individuals were interviewed by Ethisphere as part of VCU's design and effectiveness review:

Interviewee	Title
Ashley Green	Senior University Integrity and Compliance Specialist
Jaycee Dempsey	Senior University Integrity and Compliance Specialist
Jacqueline Kniska	University Chief Integrity and Compliance Officer
Bill Cole	Executive Director of Audit and Compliance Services
Laura Rugless	Executive Director, Equity & Access Services and Title IX Coordinator
Jill McCormack	VP, Chief Compliance and Privacy Officer
David Litton	Director, Audit and Management Services
Tony Rapchick	Senior University Compliance and Policy Specialist
Dan Han	Chief Information Security Officer
Cathleen Burke	Assistant Vice President for Human Resources

Thank You

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Board of Visitors
Audit, Integrity and Compliance
Committee

May 10, 2019

Agenda

1. Call to Order

2. Approval of the Agenda

3. Approval of the Minutes from March 22, 2019

4. Action Items

5. APA Entrance Conference – FY 2019 Audit

6. Report from Executive Director of Audit and Compliance Services

7. Integrity Update: Data Governance

Item 2 – Approval of Agenda

- Audit, Integrity, and Compliance Committee Meeting May 10, 2019

- Motion to approve the agenda

Item 3 – Minutes of the Meeting

- Audit, Integrity, and Compliance Committee Meeting held on March 22, 2019

- Motion to approve the Minutes

# Item 4a – AIC Committee Charter and Meeting Planner

- Annual review of the Committee Charter and Meeting Planner

- Changes include:

  - Removes language describing the Office of Audit and Compliance Services function

  - Re-organizes some tasks

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Item 4b – Proposed 2020 Audit Work Plan

COSO 17 Principles

1. Integrity and ethical values
2. Board independence and oversight
3. Establishment of authority and responsibility
4. Commitment to competence
5. Accountability

6. Clear objectives
7. Risk identification, analysis, and management
8. Fraud consideration
9. Internal control changes
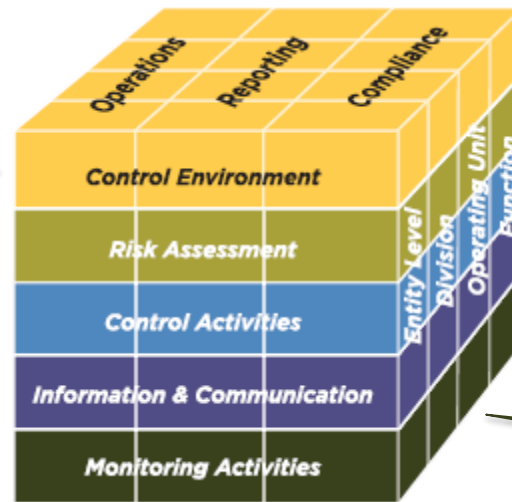
10. Risk mitigation
11. Utilization of technology
12. Establishment of policies and procedures

13. Quality information
14. Effective communication
15. Communication to outside parties

16. Performance of evaluations
17. Timely communication of deficiencies

Source: COSO 2013 Executive Summary

Item 4b - 3-year Risk Assessment Process

Year 1
2018

Year 2
2019

Year 3
2020

Activities Performed:
- Assess available data by auditable unit
- Extensive personnel interviews
- Compute assessment score by auditable entity

Activities Performed:
- Email or electronic updates with key personnel
- Update assessment score based on completed work schedule

Activities Performed:
- Interviews with critical personnel
- Consideration of industry risks
- Update assessment score based on completed work

Factors Assessed:

Financial resources

Number of employees

Special reviews performed

Complexity of operations

Number of students

ERM and compliance risks
Management concerns

Operational changes

Date since last audit

Industry risks

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Proposed Two-Year Audit Work Plan

FUNCTIONAL AREA	FY 2020	FY 2021
Enrollment Services	Office of Strategic Enrollment Management (Advising, recruitment, and admission strategies)	Records and Registration
Office of Research	Office of Research and Innovation – Integrity & Compliance	Education and Compliance
Human Resources		Compensation and Classification
Finance/ Administration	VCU Card Office VP for Inclusive Excellence Budget and Resource Analysis Engineering and Utilities Authentication of Vendor Information	Physical Plant and FMD Administration Procurement and Payment – Purchasing Grants and Contract Accounting
Auxiliary Enterprises	Auxiliary Operations Forecasting	Parking and Transportation Services
Academic Units 　Monroe Park		College of Humanities and Sciences School of Education
Health Sciences	School of Dentistry	School of Medicine – Anesthesiology School of Nursing

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Proposed Two-Year Audit Work Plan

FUNCTIONAL AREA	FY 2020	FY 2021
Centers and Institutes		Massey Cancer Center

Athletics	Siegel Center Operations and Athletics Fiscal Processes	Year 1 NCAA Compliance Review
		    Eligibility
		    Extra Benefits
		    Student Athlete Employment

Enterprise Process Audits	Degree Conference and Award	Social Media
Information Technology	Authentication Systems Enterprise Resource Planning System (Banner) Facilities Management Department Systems Office of Research and Innovation Technology Technology Services Risk Assessment	VCU Alert Systems Security IT Access Management and Security VCU Jobs/Cornerstone Application Management & Security Health Sciences/Massey Cancer Center IT Strategic Management (MIT)

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Item 4b - Proposed 2020 Audit Work Plan

Risk-based Audits   5,645

Annual Audits/Projects   1,690
   (Athletics, President's discretionary
   accounts, data analytics, audit follow-ups,
   risk assessment)

Other Projects   2,265
   (Management requests, special projects,
   investigations, workpaper system)

            Total Hours   9,600

Item 4c – FY2020 Ethics and Compliance Initiatives

- Continue Effectiveness Report Follow up
- Establish E&C Leadership Committee
  - Includes Dashboard for E&C Metrics on a Maturity Scale and Risk Assessment
- Support awareness and processes for unique health care compliance needs within the university
- Establish universitywide process and standardize core elements of internal workplace investigations
- Complete State Compliance Listing and Assessment
- Enhance Volunteers on Campus Program

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Item 5 – Auditor of Public Accounts (APA) Entrance Conference Agenda

- APA audit team and resources

- Audit timing

- Timeline of audit completion

- Audit objectives

- Audit scope

- Discussion of risk

Item 5 – Auditor of Public Accounts (APA) Entrance Conference Agenda

- Responsibilities during the audit process
  - Auditor's responsibilities
  - Management's responsibilities
  - Audit Committee

- Other elements of the audit process
  - Overall planned scope
  - Identification of potential fraud risks
  - Audit reporting

Item 6a – Committee Dashboard Measures

- 🟢 Data Governance Program

- 🟡 Data Security

- 🟢 ERM Program Implementation

- 🟡 Planned Audits

- 🟢 Planned Special Projects

- 🟡 Compliance Oversight

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Item 6b – Audit Work Plan Status Report

FY 2019 Audit Work Plan Summary

➤ Risk Based Audits

  ▪ 7 audits completed

  ▪ 7 audits in progress

➤ Annual Audits and Activities

  ▪ 1 completed

  ▪ 3 in progress

➤ Special Projects

  ▪ 10 completed

  ▪ 4 in progress

Item 6c - Quality Assurance Review

- The Institute of Internal Audit standard requires a QAR every 5 years

- Last QAR dated October 2014, so deadline is soon

- Plan to hire an external assessor

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Item 6d – Audit Report for Information

The Office of Development and Alumni Relations

- Donor restrictions were adhered to and guidelines were effective

- Metrics were designed to effectively monitor the program's performance

- Appropriate local policies and procedures were in place, universitywide where applicable, and were operating effectively

- Tax receipting conformed to current tax laws

- Processes for pledge write-offs were reasonable

- Financial and administrative processes were performed and monitored properly

- Donation fund processing was designed adequately

Item 6e - Ethisphere's Effectiveness Review

- Key Recommendations and Response - Verbal Update

  1. Develop Regular Training Program for All Managers

  2. Streamline Communication Planning

  3. Consider Integrity and Compliance Office Staffing and Ethics Ambassador Program and Review Reporting Line for Chief Ethics and Compliance Officer

  4. Continue Consolidation of Case Management Systems

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Item 7 – Data Governance Update

Data & Information Management Council (DIMC)

Board of Visitors – Audit, Integrity and Compliance Committee
May 10, 2019

Monal Patel
Associate Vice Provost for Institutional Research & Decision Support

Alex Henson
Chief Information Officer

DIMC – Foundational Work
The Charter

VIRGINIA COMMONWEALTH UNIVERSITY

VCU

Make it real.

Data and Information Management Council Charter

Purpose

In support of VCU's mission and strategic goals, it is imperative that the Data and Information Management Council (DIMC) be created to implement the following goals:

1. Establish data as a trusted institutional asset to further VCU's mission to advance knowledge and student success.
2. Institute and manage policies, processes, structures and definitions that support effective decision-support, university-wide collaboration and operational efficiency.
3. Improve the security, integration, accessibility, quality, transparency, and consistency of data across the institution.

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DIMC – Foundational Work Structure

Authority and
accountability to a few

Steering Committee
accountable to President,
BOV, Cabinet

Steering Committee
members are knowledge
expert in the utilization of
data/information

Co-Chairs – senior
leadership in IR and IT

Steering Committee

DIMC will be directed by a Steering Committee who are granted the authority to make decisions on all aspects of institutional data and information management. The Steering Committee is accountable to the President, the Board of Visitors, and the President's Cabinet. The Steering Committee will serve with this authority while balancing the shared governance principles. They will set strategy and oversee data and information management program initiatives. This includes but is not limited to the creation of new data management processes, policies, and standards; changes to existing data management processes, policies, and standards; resolution of any data issues; and change management.

Steering Committee Membership

DIMC Steering Committee members reflect appointments from the President or Cabinet members. The steering committee members may recommend additional steering committee appointments from administrative business units, academic business units, or IT representatives who are knowledge experts in the utilization of data/information.

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DIMC – Foundational Work Structure

Task Groups

Appointed by Steering Committee

Short-term

Task Groups

DIMC also consists of task groups who are appointed by the Steering Committee in collaboration with respective area leaders to carry out specific initiatives. The Steering Committee will create task groups as needed to implement the program initiatives which meet the purpose and goals identified in this charter.

- Task groups will meet on a short term basis for a time span required to successfully complete the assigned initiative
- Task groups membership will be approved by the supervisor of the appropriate unit
- Task group recommendations are anticipated to influence day-to-day operations of academic and business units, IT Technology Services and distributed IT unit, but not necessarily to be directly carried out by the council. DIMC is not responsible in any way for ensuring the required resources (budget) or direction of departmental staff in order to enact recommendations.

DIMC – Foundational Work Complete Charter and Policy

Charter approved in April 22nd meeting

Policy approved in April 22nd meeting
    Going through the university channels of approval

Up Next - Data Governance Makes it Real

Authoritative Data Warehouse (Reporting Data)
- Ensure quality & integrity of operational data
- Must include data definitions, proper use, how to interpret
- Disclose known issues, cautions
- Enforce use, provide training

Architect connections – Data Marts, predictive analytics

Official delivered outcomes – Dashboards

Closed Session

Item 12 - Updates

A. University Counsel

   - Litigation and other legal activities

B. Audit Reports for Discussion

Executive Session