

**VIRGINIA COMMONWEALTH UNIVERSITY
AUDIT, INTEGRITY AND COMPLIANCE COMMITTEE MEETING
7:45 A.M.
SEPTEMBER 14, 2017
JAMES BRANCH CABELL LIBRARY
901 PARK AVENUE – ROOM 311
RICHMOND, VIRGINIA**

AGENDA

- | | |
|--|---|
| 1. CALL TO ORDER | Keith Parker, Chair |
| 2. APPROVAL OF AGENDA
<i>Action Item – Approval of Agenda</i> | Keith Parker |
| 3. APPROVAL OF MINUTES
(MAY 12, 2017)
<i>Action Item – Approval of Minutes</i> | Keith Parker |
| 4. AUDIT AND COMPLIANCE SERVICES
CHARTER – ANNUAL UPDATE
<i>Action Item – Approval of Department Charter</i> | Bill Cole, Executive Director
<i>Audit and Compliance Services</i> |
| 5. AUDIT, INTEGRITY AND COMPLIANCE
COMMITTEE GOALS FY 2018
<i>Action Item – Approval of Committee Goals</i> | Bill Cole |
| 6. AUDIT, INTEGRITY AND COMPLIANCE
COMMITTEE DASHBOARD MEASURES | Bill Cole |
| 7. AUDIT AND COMPLIANCE SERVICES
STAFF CREDENTIALS AND DEPARTMENT
BUDGET | Bill Cole |
| 8. AUDIT AND COMPLIANCE SERVICES
GOALS AND ACCOMPLISHMENTS | Bill Cole |
| 9. ERM UPDATE | Tom Briggs,
<i>Assistant Vice President, Safety
and Risk Management</i> |
| 10. INTEGRITY AND COMPLIANCE ANNUAL
REPORT FY 2017 | Jacqueline Kniska,
<i>Integrity and Compliance
Officer</i> |

11. CLOSED SESSION

Freedom of Information Act Sections 2.2-3711(A)
(1) and (7), specifically:

A. University Counsel Overview

Jake Belue,
Interim University Counsel

B. Audit Updates

Bill Cole

1. Audit Reports for Discussion

- a. Parking and Transportation**
- b. Consolidated Audit of Orthopaedic Surgery**

2. Audit Reports for Information

- a. Department of Athletics – NCAA Compliance Review**
- b. University Purchasing**
- c. University Relations Administrative Review**
- d. University Computer Center**
- e. Data Analytics**

3. Annual Review of Audit Recommendations Outstanding

4. Audit Survey Results – Annual Summary

5. Audit Work Plan Status Report

EXECUTIVE SESSION

12. RETURN TO OPEN SESSION AND CERTIFICATION

Keith Parker

- Approval of Committee action on matters discussed in closed session, if necessary

13. ADJOURNMENT

Keith Parker



Board of Visitors
Audit, Integrity and Compliance Committee
7:45 a.m.
May 12, 2017
James Cabell Library
901 Park Avenue, Room 311, Richmond, Virginia

DRAFT

Minutes

COMMITTEE MEMBERS PRESENT

Mr. Steve L. Worley, Chair
Mr. Ronald McFarlane, Vice Chair
Mr. H. Benson Dendy III
Dr. Robert D. Holsworth
Mr. Keith T. Parker
Dr. Carol S. Shapiro

COMMITTEE MEMBERS ABSENT

Rev. Tyrone Nelson

BOARD MEMBERS PRESENT

Mr. John A. Luke, Rector

OTHERS PRESENT

Mr. William H. Cole
Dr. Michael Rao, President
Mr. Jacob A. Belue
Staff from VCU and VCUHS

CALL TO ORDER

Mr. Steve L. Worley, Chair, called the meeting to order at 7:45 a.m.

APPROVAL OF MINUTES

Mr. Worley asked for a motion to approve the minutes of the March 22, 2017 meeting of the Audit, Integrity and Compliance Committee, as published. After motion duly made and seconded the Minutes of the March 22, 2017 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>.

REPORTS AND RECOMMENDATIONS

Auditor of Public Accounts (APA) – Entrance Conference for FY 2018 Audit

Ms. Karen Helderman, APA Audit Director, discussed the planning and scope for the annual FY 2017 financial audit. The discussion covered the timing of this year's audit, audit scope and objectives, risk considerations, auditor and management responsibilities, and audit reporting communications.

Audit, Compliance, and Integrity Committee Dashboard Measures

Mr. Bill Cole, Executive Director of Audit and Compliance Services, reviewed the Committee Dashboard Measures. Mr. Alex Henson, Chief Information Officer, discussed current information technology security measures in place and planned related to the Data Security measure. Indicators for Data Security, Compliance Oversight, and Planned Audit Status are yellow and all other indicators are green.

Audit, Integrity, and Compliance Committee Charter and Meeting Planner Annual Update

Mr. Bill Cole reviewed annual updates to the Committee Charter and Meeting Planner. There were a few proposed changes which provided additional clarity to the charter. The Committee Charter and Meeting Planner are reviewed and approved annually. The committee approved the committee charter and meeting planner for recommendation to the board.

Proposed FY 2018 Audit Work Plan

Mr. Bill Cole discussed the FY 2018 audit work plan for the committee's review and approval. The work plan materials included an audit planning overview, the COSO model of internal control and enterprise risk management frameworks; financial magnitude functions considered; university plan for risk-based audits for FY 2018; and the proposed FY 2018 audit plan hours. For this final year of the three-year plan, Audit and Management Services updated its scoring of risk factors, considered industry risks, and performed interviews with stakeholders to determine whether operational changes or additional risks have occurred which would result in revisions to the work plan. The committee approved 2018 audit work plan for recommendation to the board.

Proposed FY 2018 University Ethics and Compliance Program Initiatives

Ms. Jacqueline Kniska, Integrity and Compliance Officer, presented the proposed annual initiatives for the Integrity and Compliance Office the committee's approval. These initiatives provide assurances that the administration is addressing compliance requirements; ethical behaviors; and overall institutional integrity. The committee approved the compliance program initiatives for recommendation to the board.

Culture Survey Results

Ms. Jacqueline Kniska shared the results of the 2017 Integrity and Compliance Culture Survey and data analysis. The survey focused on integrity (ethical) and compliance issues as well as awareness of available resources and willingness to report known or suspected misconduct. The Culture Survey report includes a full analysis of this year's data with benchmarking of data from the 2015 and 2012 surveys. Trends, patterns, or practices were highlighted during the presentation. This report is informational in nature to provide assurances that the workforce is aware of available resources and that the university has a dedicated office interested in their understanding of and comments related to ethical and compliance issues.

Data Governance Update

Ms. Kathleen Shaw, Associate Vice Provost for Planning, provided an update on the Data and Information Management Council activities that included a discussion of the progress made by the four task forces: Standards and Policies, Data Stewardship, Issue Resolution, and Communications; technology infrastructure, and a new task group for data management strategy.

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. Worley, 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.

<u>Vote</u>	<u>Ayes</u>	<u>Nays</u>
Mr. Steve L. Worley, Chair	X	
Mr. Ronald McFarlane, Vice Chair	X	
Mr. Ben Dendy	X	
Dr. Robert Holsworth	X	
Mr. Keith Parker	X	
Dr. Carol Shapiro	X	

All members responding affirmatively, the motion was adopted.

ADJOURNMENT

There being no further business Mr. Worley, Chair, adjourned the meeting at 9:08 a.m.

Board of Visitors Executive Summary

September 2017

PRESENTATION TITLE: Audit and Compliance Services Charter – Annual Update	
Presenter Name and Title: Bill Cole, Executive Director	
Responsible University Division: Audit and Compliance Services BOV Committee: Audit, Integrity, and Compliance Committee	
Quest Theme(s) and Goal(s) to be Addressed:	
Key Presentation Messages	<ol style="list-style-type: none"> 1. Annual review and approval of our departmental charter. 2. The charter is the Board of Visitor's authorization and charge document which empowers the university's comprehensive and effective internal audit and compliance programs. 3. The charter is an industry best practice and a requirement for internal audit functions by The Institute of Internal Auditors. The charter also establishes the compliance program's standards of practice in accordance with Chapter 8 of the Federal Sentencing Guidelines. 4. A revision to the scope of work by adding responsibility to ensure an effective program of information technology management and security is maintained.
Governance Implications	<ol style="list-style-type: none"> 1. The charter sets forth objectives for the department: <ul style="list-style-type: none"> o Scope of Work o Accountability o Independence and Objectivity o Responsibility o Authority o Standards of Practice o Quality Assurance and Improvement Program 2. Overall, the charter is a guiding document of expectations as to how the department conducts audits and implements an effective compliance program.
Governance Discussion Questions	Not Applicable
Next Steps for Management (Responsible Division Head; Timeframe for Action)	Not Applicable
Next Steps for Governance (Responsible Board Member; Timeframe for Action)	Not Applicable

AUDIT AND COMPLIANCE SERVICES CHARTER

VIRGINIA COMMONWEALTH UNIVERSITY and VCU HEALTH SYSTEM

Virginia Commonwealth University (university) and VCU Health System Authority (health system) maintain comprehensive and effective internal audit and compliance programs. The objective of Audit and Compliance Services (“department”) is to assist members of the Board of Visitors, Board of Directors, and management in the effective performance of their responsibilities. The department fulfills this objective by providing independent and impartial examinations, investigations, evaluations, counsel, and recommendations for the areas and activities reviewed.

Scope of Work

The scope of the department’s work is to determine whether the university’s and health system’s risk management, internal control, governance, and compliance processes, as designed and represented by management, are adequate and functioning in a manner to provide reasonable assurance that:

- Risks are appropriately identified and managed
- Control processes are adequate and functioning as intended
- Significant, financial, managerial, and operating information is accurate, reliable, and timely
- An effective university compliance program is maintained to provide guidance and resources, in an oversight role, for all educational, research, and athletic compliance programs to optimize ethical and compliant behavior
- An effective health system compliance program is implemented to further the health system’s mission, vision, and values by promoting a culture of compliance, and preventing, correcting, and investigating issues through education, monitoring, and enforcement
- [An effective program of information technology \(IT\) management and security is maintained to ensure university IT and data assets are properly secured, integrity protected, available as needed and kept confidential as required by applicable policies laws and regulations](#)
- Employees’ actions are in compliance with the respective codes of conduct, policies, standards, procedures, and applicable laws and regulations
- Resources are used efficiently and are adequately protected
- Program plans and objectives are achieved
- Significant legislative and regulatory issues impacting the university and health system are recognized and appropriately addressed

Opportunities for improving management controls and financial performance and for protecting the reputation of the university and health system may be identified, and will be addressed with the appropriate level of management.

Accountability

The Executive Director of Audit and Compliance Services shall be accountable to the Board of Visitors, through the Audit, Integrity, and Compliance Committee, and the Board of Directors, through the Audit and Compliance Committee, to maintain comprehensive and professional internal audit and compliance programs. In fulfilling those responsibilities, the Executive Director will:

- Establish annual goals and objectives for the department, and report periodically on the status of those efforts.
- Execute the annual audit and compliance work plans and initiatives.
- Coordinate efforts with other control and monitoring functions (risk management, campus police, university counsel and health system general counsel, external auditors, etc.).
- Report significant issues related to the department's scope of work, including potential improvements, and continue to provide information about those issues through resolution.
- Provide updates to the respective board committees, the university president, and the chief executive officer of the health system on the status of the audit work plan, compliance initiatives, qualifications of staff, and sufficiency of department resources.

Independence and Objectivity

All work will be conducted in an objective and independent manner. Staff will maintain an impartial attitude in selecting and evaluating evidence and in reporting results. Independence in fact and appearance enables unbiased judgments that are essential to the proper conduct of the department's scope of work.

To provide an appropriate reporting structure to support independence, the Executive Director shall report to the Audit, Integrity, and Compliance Committee of the Board of Visitors and to the Audit and Compliance Committee of the Board of Directors. The Executive Director shall report administratively to the university's President.

Responsibility

The department will assist the Board of Visitors, Board of Directors, and management by:

- Maintaining a professional staff with sufficient knowledge, skills, and experience to fulfill the requirements of this charter.
- Developing and executing annual and long-range risk-based audit and compliance plans and initiatives. The plans and initiatives will be submitted to management for review and comment and to the respective board committee for approval. The department recognizes that one of

the primary benefits of these programs is the ability to respond to issues that arise during the normal course of business. Accordingly, the annual plans shall include time for management requests and special projects.

- Participating in an advisory capacity in the planning, development, implementation, or change of significant compliance and control processes or systems. The Executive Director shall ensure that the level of participation in these projects does not affect the department's responsibility for evaluating these processes or systems during future reviews nor compromise its independence.
- Conducting or assisting in the investigation of any suspected fraudulent activities, misconduct, or non-compliance issues, and notifying management and the respective board committees of the results.
- Issuing periodic reports to management and the respective board committees summarizing the results of the department's activities.
- Considering the scope of work of the external auditors, as appropriate, to provide optimal audit coverage to the university and health system at a reasonable overall cost.
- Reporting at least annually to the Board of Visitors, Board of Directors, and senior management on the department's purpose, authority, responsibility, and performance relative to its plans, and on its conformance to standards. Reporting should also include significant risk exposures and control issues, corporate governance issues, serious misconduct or non-compliance, and other matters needed or requested by the Board and senior management.

Authority

The department and its staff are authorized to:

- Have unrestricted access to all activities, records, property, and personnel. Cooperation from all university and health system personnel and affiliates is required.
- Have full access to the respective board committee.
- Allocate departmental resources, set audit frequencies, determine scopes of work, and apply the techniques necessary to accomplish audit objectives.
- Obtain the necessary assistance of personnel in departments when audits are performed, as well as that of other specialists.

The department and its staff are not authorized to:

- Perform operational duties in interim status, or otherwise, unless authorized in advance by the respective board committee.
- Initiate or approve accounting transactions external to the department.

Standards of Practice

The department will conduct its scope of work in accordance with requirements and best practices as established by relevant authoritative and objective sources from industry and government.

For internal audit functions, this includes both mandatory and recommended guidance from the Institute of Internal Auditors International Professional Practices Framework. The mandatory guidance requires our department to conform with the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, Code of Ethics, and *International Standards for the Professional Practice of Internal Auditing (Standards)*. Internal auditing is an independent, objective assurance, and consulting activity designed to add value and improve an organization's operations. Our department will help the university and health system accomplish its objectives by bringing a systematic, disciplined, and risk-based approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

For maintaining effective compliance programs, standards of practice are driven by the guidance provided in Chapter 8 of the Federal Sentencing Guidelines as promulgated by the US Sentencing Commission. The main focus of an effective program is to prevent and detect misconduct, remedy harm when identified, self-report where applicable, and maintain due diligence in promoting an organizational culture that encourages ethical conduct and a commitment to compliance with the law.

For the health system compliance program, guidance by the Health Care Compliance Association is also included. This organization sets the standard for professional values and ethics in the health care compliance field.

Quality Assurance and Improvement Program

The department will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. This program will be designed to:

- evaluate internal audit's conformance with the *Standards* and application of the Code of Ethics;
- assess the efficiency and effectiveness of the department; and
- identify opportunities for improvement.

The quality program includes both internal and external assessments. Internal assessments will include ongoing monitoring and periodic assessments of internal audit activity. An external assessment will be performed at least once every five years by qualified individuals who are independent of the internal audit function.

**Board of Visitors Executive Summary
September 2017**

PRESENTATION TITLE: Committee Goals for Fiscal Year 2018	
Presenter Name and Title: Bill Cole, Executive Director	
Responsible University Division: Audit and Compliance Services BOV Committee: Audit, Integrity, and Compliance Committee	
Quest Theme(s) and Goal(s) to be Addressed:	
Key Presentation Messages	<ol style="list-style-type: none"> 1. Proposed committee goals will be presented for the Committee's review and discussion 2. No proposed changes in goals – added some clarity 3. Dashboard measures – status of key indicators
Governance Implications	<ol style="list-style-type: none"> 1. Timeliness and completeness of the measures 2. Adequate corrective action occurs when performance indicates it is needed
Governance Discussion Questions	<ol style="list-style-type: none"> 1. Are there additional goals that the committee wants to consider? 2. What actions should occur if the measure indicates a problem?
Next Steps for Management (Responsible Division Head; Timeframe for Action)	<p>Provide timely updates to dashboard measures.</p> <p>Communication to the committee between meetings if situation warrants</p>
Next Steps for Governance (Responsible Board Member; Timeframe for Action)	<ol style="list-style-type: none"> 1. Review dashboard periodically 2. Contact the committee staff resources if there are questions or to request additional information

Audit, Integrity, and Compliance Committee FY2018 Goals and Dashboard Measures

Goals

For FY2018, the Audit, Integrity, and Compliance Committee will focus on the following topics:

- Data governance and information management efforts for business processes and institutional data under the stewardship of the Data and Information Management Council (DIMC)
- Security of data and information technology security infrastructure
- Enterprise Risk Management mitigation plans for identified risks
- University's compliance program
- Results from audits and special projects requiring Committee attention
- Legal matters, including EEOC updates

Dashboard Measures

- Data governance program progress
- Data security (Number of security incidents / breaches)
- ERM mitigation plans
- Compliance oversight monitoring (Major compliance requirements compared to known violations requiring the Committee's or Executive Management's attention)
 - Clery Act
 - Titles VII and IX
 - Title IV – Student Financial Assistance
 - Export Controls
 - NCAA
 - Grant/research compliance
 - Controlled substances
 - Environmental safety
- Planned audits status (to include both planned and unplanned projects) – comparison to available audit staffing resources (actual vs. planned chargeability)

University Support

Bill Cole, Executive Director of Audit and Compliance Services

Stephanie Hamlett, University Counsel

Alex Henson, Chief Information Officer

Kathleen Shaw, Vice Provost for Planning and Decision Support

Meredith Weiss, Vice President for Administration

Tom Briggs, Assistant Vice President – Safety and Risk Management

Laura Rugless, Director of Equity and Access Services

Other compliance partners, as necessary

Board of Visitors Executive Summary September 2017

PRESENTATION TITLE: Audit, Integrity, and Compliance Committee Dashboard Measures	
Presenter Name and Title: Bill Cole, Executive Director	
Responsible University Division: Audit and Compliance Services BOV Committee: Audit, Integrity, and Compliance Committee	
Quest Theme(s) and Goal(s) to be Addressed:	
Key Presentation Messages	<p>1. The committee's dashboard measures primarily utilize the following signal light rating method:</p> <p style="padding-left: 40px;">Green = No Significant Matters/Delays, Yellow = Known Matters/Delays requiring increased management action/resources or senior management monitoring, and Red = Significant challenges/issues encountered resulting in delays, budget overages, or institutional risk</p> <p>2. This Committee's currently rated measures are:</p> <p style="padding-left: 40px;">Data Governance Program Status, rated Green Data Security, rated Yellow ERM Implementation Time Line; rated Green Planned Audits; rated Green Special Projects; rated Green Compliance Oversight; rated Yellow</p>
Governance Implications	Appropriate resources and business practices are in place to address these dashboard measures.
Governance Discussion Questions	Do the "yellow" measures require any special attention by the committee?
Next Steps for Management (Responsible Division Head; Timeframe for Action)	Take appropriate measures to address Dashboard measures that show need for improvement.
Next Steps for Governance (Responsible Board Member; Timeframe for Action)	Continue to monitor the Dashboard measures provided at each Audit, Integrity, and Compliance Committee meeting.

AUDIT, INTEGRITY, AND COMPLIANCE COMMITTEE

DASHBOARD MEASURES

INFORMATION TECHNOLOGY GOVERNANCE - DATA INTEGRITY



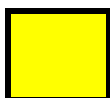
DATA GOVERNANCE PROGRAM (development of program)



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 security incidents since our last meeting. Sophisticated phishing attacks and ransomware attacks continue to be the most challenging risk faced. We have successfully expanded our phishing training program and are now simulating phishing emails to our highest risk areas (including Police, Technology Services, Human Resources, Finance, Office of the President, and a few others), and we will more widely roll that out this program in the Fall. We have completed the rollout of mobile device management to our highest risk areas (Massey Cancer Center, School of Medicine, School of Dentistry, and Technology Services), which reduces risk around HIPAA compliance. The rollout of VCU 2Factor authentication was completed in August with only a few minor issues and complaints during the rollout. We now have more than 25,000 users and with 50,000 registered devices utilizing the system. We continue to further invest in active threat monitoring and mitigation technology as well as enhanced security training.

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

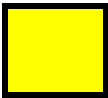


Some overload or barriers / challenges encountered that may require adjustment or reallocation of resources to resolve



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

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.

Board of Visitors Executive Summary September 2017

PRESENTATION TITLE: Staff Credentials and Department Budget	
Presenter Name and Title: Bill Cole, Executive Director	
Responsible University Division: Audit and Compliance Services BOV Committee: Audit, Integrity, and Compliance Committee	
Quest Theme(s) and Goal(s) to be Addressed:	
Key Presentation Messages	<ol style="list-style-type: none"> 1. The Committee Charter requires an annual report on staff qualifications and departmental budget. 2. More than 93% of the audit and compliance staff for the university has either advanced degrees or professional certifications that are industry related. 3. The audit and compliance staff has industry related or direct professional experience. 4. The budget is currently appropriate for the size, complexity, and decentralized nature of the operations that the department is charged with auditing and providing compliance services.
Governance Implications	Ensure that appropriate staffing and budget exist for effective audit and compliance programs.
Governance Discussion Questions	<ol style="list-style-type: none"> 1. Are there foreseeable retention concerns for maintaining the current staff? 2. Is there an appropriate amount of continuing professional education so that the staff is up to date on industry trends and best practices?
Next Steps for Management (Responsible Division Head; Timeframe for Action)	Continue to recruit, develop, and retain qualified staff.
Next Steps for Governance (Responsible Board Member; Timeframe for Action)	Continue to monitor staff qualifications and departmental budget annually.

Audit and Compliance Services

Staff Credentials

University Audit and Management Services Integrity and Compliance Office

Name and Title	Hire Date	Education	Credentials/ Advanced Degrees	Years of Experience
William H. Cole, Jr. Executive Director	October, 2011	BS, Accounting	CPA; CHC MBA	39 – Audit/Compliance
David M. Litton Director, Audit and Management Services, University and VCUHealth	March, 1994	BS, Accounting and Information Systems	CPA; CISA; CGFM; CGEIT; CRMA	20 – Internal Audit 12 – IT and External Audit
Jacqueline L. Kniska University Integrity and Compliance Officer	July, 2011	BA, Political Science	CHC JD LPEC	10 – Compliance 7 – Legal
Craig A. Anderson Deputy Director, University Audit and Management Services	April, 2008	BBA, Computer Information Systems	CFE MS, Accounting	21 – Audit 13 – Financial Services
Courtney G. McGregor Deputy Director, IT Audit, University and VCUHealth	March, 2017	BS, Accounting	CISA CRISC CIA MS, Business Administration/Information Systems	20 – Audit 20 – Information Technology 3 – Teaching Adjunct / Accounting, Management
Janet W. Bishop University Audit Manager	May, 2001	BS, Business Administration	CIA, CFE	14 – Audit 23 - Accounting
Susan B. Donnell Senior Auditor	March, 2017	BS, Commerce; concentration in Finance	CPA Post-Baccalaureate Certificate in Accounting	1 – Internal Audit 1.5 – External Audit 18 – Accounting & Financial Services
Steven P. O'Brien Senior Auditor	March, 2017	BS, Accounting		7 – External Audit 1 – Internal Audit
David J. Irving Staff Auditor	January, 2015	BA, History/Political Science	CPA; CIA MS, Accounting	6 – Internal Audit 15 – External Audit

Name and Title	Hire Date	Education	Credentials/ Advanced Degrees	Years of Experience
Anthony T. Rapchick Senior Compliance and Policy Specialist	April, 2016	BA, Psychology	JD	20 – Legal 4 – Compliance
Jaycee L. Dempsey Senior Integrity and Compliance Specialist	May, 2007	BA, Economics	CCEP MBA LPEC	10 – Compliance 4 – Public Policy
Ashley L. Greene Senior Integrity and Compliance Specialist	September, 2012	BA, Psychology	CCEP	8 – Compliance 1 - Other
Eric J. Malmgren Senior IT Auditor, (part-time)	March, 2017		CISA, CISSP	30 – IT 16 – Information Security 3 – Internal Audit
Anne Sorensen Manager, Special Projects and Quality Assessment (part-time)	June, 2012	BS, Accounting	CPA	5 – Internal Audit 10 – External Audit 14 – Accounting/Finance

Credentials:

CCEP Certified Compliance and Ethics Professional
CFE Certified Fraud Examiner
CGEIT Certified in the Governance of Enterprise IT
CGFM Certified Government Financial Manager
CHC Certified in Health Care Compliance
CIA Certified Internal Auditor

CISA Certified Information Systems Auditor
CISSP Certified Information Systems Security Professional
CPA Certified Public Accountant
CRISC Certified in Risk and Information Systems Control
CRMA Certification in Risk Management Assurance
LPEC Leadership Professional in Ethics and Compliance

Department Memberships: ACUA, ACUPA, AGA, CUAV, IIA, OCEG, SCCE

ACUA Association of College and University Auditors
ACUPA Association of College and University Policy
Administrators
AGA Association of Government Accountants

CUAV College and University Auditors of Virginia
IIA Institute of Internal Auditors
OCEG Open Compliance and Ethics Group
SCCE Society of Corporate Compliance and Ethics

Virginia Commonwealth University - Audit and Compliance Services

Functional Budget - Fiscal Year 2017-18

	UNIVERSITY			HEALTH SYSTEM		
	Audit & Management Services	Compliance Services	University Total	Audit & Management Services	Compliance Services	Health System Total
Salaries/Wages	\$ 825,237	\$ 390,593	\$ 1,215,830	\$ 600,859	\$ 1,156,813	\$ 1,757,672
Employee Benefits	297,462	151,466	448,928	223,520	345,976	569,496
Total Personnel Costs	1,122,699	542,059	1,664,758	824,379	1,502,789	2,327,168
General Office	19,774	15,500	35,274	14,000	61,699	75,699
Training and Equipment	52,614	36,850	89,464	25,400	223,164	248,564
Other	13,317	10,070	23,387	4,000	229,807 *	233,807
Total Non-Personnel Costs	85,705	62,420	148,125	43,400	514,670	558,070
TOTAL EXPENSES	\$ 1,208,404	\$ 604,479	\$ 1,812,883	\$ 867,779	\$ 2,017,459	\$ 2,885,238

*Includes general operating expenses for Compliance Services and expenses for training used by all Health System employees.

Board of Visitors Executive Summary September 2017

PRESENTATION TITLE: Audit and Compliance Services Goals, Objectives, and Accomplishments	
Presenter Name and Title: Bill Cole, Executive Director	
Responsible University Division: Audit and Compliance Services BOV Committee: Audit, Integrity, and Compliance Committee	
Quest Theme(s) and Goal(s) to be Addressed:	
Key Presentation Messages	<ol style="list-style-type: none"> 1. The department accomplished many of the goals and objectives established for the year, specifically: <ul style="list-style-type: none"> • Implementation of Lean Six Sigma to improve departmental processes • Implementation of e-solution software platform for documenting compliance issues and events • Development of funds flow analysis tool • Additional data analysis of operations 2. Goals and objectives for this year include continued support to management and the Board with audit and compliance plans that address identified risks and concerns. Other key goals include: <ul style="list-style-type: none"> • Continued review of processes to improve efficiency • Update of the university's code of conduct • Development and implementation of metrics
Governance Implications	<ol style="list-style-type: none"> 1. Review information provided at committee meetings to ensure that university operations are meeting its objectives and functioning within applicable requirements. 2. Oversight responsibility for the audit and compliance programs to remain beneficial to management and the Board.
Governance Discussion Questions	<ol style="list-style-type: none"> 1. Are there obstacles in achieving your goals? 2. Do you allow time for management requests? 3. How do you balance the unplanned projects and requests?
Next Steps for Management (Responsible Division Head; Timeframe for Action)	Take appropriate actions on addressing matters of noncompliance and audit findings.
Next Steps for Governance (Responsible Board Member; Timeframe for Action)	Monitor progress during committee meetings

Audit and Compliance Services Annual Accomplishments Fiscal Year 2017

Audit and Compliance Services (ACS) had a successful 2017 fiscal year in accomplishing many of its goals and objectives that were established at the beginning of the year.

Audit and Management Services (AMS) had three major accomplishments during the year, which were 1) the training of and incorporating Lean Six Sigma concepts for two internal processes; 2) the compiling and sharing of reoccurring recommendations with senior management to assist in addressing process improvement; and 3) the development of a funds flow analysis tool which is being used to gain a better understanding of the inflows and outflows between the university and health system affiliates and within large accounting units.

Even though there was an unusual level of staff turnover, AMS continued to be productive in completing a significant portion of the fiscal year 2017 audit work plan as well as 19 special projects. Our department continues to seek opportunities for self-improvement by strengthening employee knowledge through information technology (IT), industry and professional trainings, development of internal reference material, and providing opportunities where staff can share or obtain skills during information lunch and learn sessions.

The Integrity and Compliance Office's (ICO) significant accomplishments for the year included: full implementation of an electronic case management system for ethics and compliance related matters that has been made available for trained compliance partners to use; hosting the first ever compliance partners open house during National Compliance and Ethics Week; search committee participation; reviews of reported noncompliance and ethical concerns, completion of the biennial universitywide Culture Survey and assessment; and completion of the fourth annual integrity and compliance education with the highest completion rates to date and introduction of role-based training for employees. In addition, more routine items included implementation of changes to the Statement of Economic Interest (SOEI) process; speaking at the Research Expo; Chair Training; training visits to the Qatar campus new employee and faculty events; and training and communications with the Compliance Advisory Committee membership throughout the year.

The below table provides the actions and status of each fiscal year 2017 goal and objective. As our department seeks continual improvement, some goals and objectives remain with an ongoing status.

Goals and Objectives	Actions	Status
Departmental		
Review use of the department's newly revised website and evaluate its presentation value to its users	The website has received positive comments and will continue to be updated for relevant, functional information.	Ongoing
Continue to provide timely response to management requests and special projects	Nineteen special projects (which include the State's Fraud, Waste, and Abuse Hotline) were completed. Details of ICO's devotion of effort for special requests are included in the Annual Integrity and Compliance Report.	Accomplished

Goals and Objectives	Actions	Status
Maintain pursuit in identifying industry risks through the risk assessment process and facilitate communication of such risks where needed	Industry risks continue to be identified throughout the year as well as during the risk assessment processes. This information is shared to assist in developing strategies to mitigate such risks.	Ongoing
Increase technical expertise for all staff	Audit experienced significant turnover during the fiscal year. While well qualified, experienced personnel were hired, the department will continue to seek opportunities to train the new employees about the higher education environment. The ICO staff remain current in training and certifications. Currently 100% of the staff are certified by leading industry associations and 50% of the staff retain multiple certifications.	Ongoing
Train staff on Lean Six Sigma concepts (to further incorporate team building and staff development)	All staff received Lean Six Sigma training and participated in the development of potential improvements for projects for which process improvement needs were identified.	Accomplished
Evaluate technical support provided to the department's staff for timeliness and fulfillment of request	All requests for IT support requests were fulfilled in a timely manner.	Accomplished
Audit and Management Services		
Complete audit plan approved by the Board of Visitors	Due to staff turnover (one management and four staff positions), the audit work plan had to be adjusted. This turnover resulted in carry-over of one operational audits and postponement of some IT audits.	Substantially Accomplished
Continue work with vendor to identify enhancements to audit work paper system	The audit team continued to experience performance issues with the work paper system. The vendor plans to implement a significant upgrade which should resolve the identified issues. All engagements are currently recorded in this software. The audit team has made significant progress in utilizing system features, documenting guidance material, obtaining training and monitoring issues.	Partially Accomplished
Continue to review consistency of audit process between health system and university and, where applicable, with information technology (IT) engagements	Both the university and health system audit teams utilize engagement templates that provide more consistent application of the audit process. Due to the 100% turnover in IT audit personnel, IT engagement templates need additional review.	Partially Accomplished

Goals and Objectives	Actions	Status
Facilitate the communication of updates made in business control and information security frameworks	<p>The updated business control framework (i.e., COSO 2013) has been incorporated into planning for scheduled engagements and has provided a tool to assist the audit team in recognizing what information should be evaluated.</p> <p>Technology Services has completed its synchronization of policies and standards between the university and health system.</p>	Accomplished
Refine audit process and departmental metrics that will be used in the upgraded work paper system and that will be used by the audit management team to monitor progress and efficiencies, respectively	Due to the work paper performance issues, AMS has not been able to successfully evaluate metric information through the system.	Not Accomplished
Utilize additional technical tools for IT audits	This goal was delayed due to the 100% turnover in IT audit personnel and will be carried forward as a goal for FY18.	Not Accomplished
Expand on the development of continuous monitoring opportunities, evaluate what opportunities could be performed universitywide, and finalize their usage internally within ACS and for other university departments	The university audit team has developed some continuous auditing tools which will be reported to the board in early FY18. The health system auditors have made progress in obtaining additional data access and will begin to utilize such access to evaluate opportunities for continuous auditing tools.	Ongoing
Identify operational audit opportunities that could provide cross departmental efficiencies or overarching control applications	Audit identified reoccurring recommendations and shared this information with applicable senior management to assist in addressing these areas across departments. Examples included strengthen reconciliation of Banner general ledger activity and develop policies and procedures for departmental processes.	Ongoing
Enhance audit communications during planning and fieldwork phases to increase management's awareness of process and issues as they arise	Audit engagement programs have been enhanced to ensure communication is occurring throughout the audit.	Accomplished
Increase efforts to obtain status and review outstanding audit recommendations throughout the year	Audit recently progressed in utilizing the audit work paper system feature to track outstanding audit recommendations. The audit team will use this tracking feature to make timely status inquiries with the client.	Ongoing

Goals and Objectives	Actions	Status
ADDED: Analysis of the funds flow between the university and health system affiliates and within large accounting units	Completed a funds flow analysis between the university and health system affiliates for one school within the university.	Accomplished
Integrity and Compliance Office		
Complete compliance initiatives approved by the Board of Visitors	See annual report for details.	Substantially Accomplished and Ongoing
Fully implement e-solution software platform that assists with capturing and documenting issues and events universitywide	Launched in February after system testing. Developed and delivered customized training materials to compliance partners now using this platform.	Accomplished
Work with policy owners to update all existing universitywide policies; create and publish a review schedule to assist with this goal	While 53% of universitywide policies remain outdated, there is no backlog in the ICO and therefore the status for the year is deemed accomplished. Will continue to work with management to reach goal of 100% updated policies.	Accomplished
Augment Annual Employee Compliance Education to include responsive topics to prior year's identified risks	Role based training modules implemented based on distinction of supervisory responsibilities.	Accomplished
Conduct triennial review of education document with interdisciplinary taskforce input and Compliance Advisory Committee	Annual integrity and compliance education was updated and reviewed; completion rates reached all-time highs.	Accomplished
Provide risk-based reports to Cabinet and Board Members regarding satisfied or deficient compliance obligations based on Federal Regulatory Grid	Created with a delivery slated for Fall 2017.	Ongoing
Host interdisciplinary compliance Open House during National Compliance and Ethics Week	Open house hosted during National Compliance Week in November 2016. Scheduled to repeat for next year.	Accomplished

Audit and Compliance Services

Goals and Objectives in Support of the University's Strategic Plan

Fiscal Year 2018

Audit and Compliance Services (ACS) supports the mission and vision of *Quest for Distinction* by providing quality audit and ethics and compliance programs that incorporate the university's core values. The department strives to ensure accountability and stewardship of the university's assets and resources; provide unbiased recommendations to improve operations; ensure the integrity of systems; identify and monitor risks; and promote the university's expectation of professional ethics and conduct. In addition, the department fosters a collaborative working relationship with the university community to achieve the distinction as a premier urban, public research university.

To assist the university in reaching the goals of *Quest for Distinction* and university priorities for fiscal year 2018, the department has developed the following goals and objectives:

Departmental

- Continue development and implementation of process improvement initiatives from Lean Six Sigma
- Provide timely response to management requests, reported concerns and special projects
- Increase technical expertise for all staff
- Continue to update the department's website to provide relevant, timely and useful information
- Develop additional departmental metrics to demonstrate effectiveness and value to university community
- Review and update Operations Manual to reflect any process changes made within the department
- Continue implementing goals developed through strategic planning

Audit and Management Services

- Complete audit plan approved by the Board of Visitors
- Expand on the development of continuous auditing opportunities and pursue communication of results within the university to encourage ongoing quality improvements
- Maintain knowledge of current and upcoming industry risks; and utilize this information for the annual risk assessment process; and share with those in governance where needed
- Seek opportunities with an external IT specialist to train and utilize technical security tools when conducting highly technical audits or investigations
- Work with the audit work paper system vendor to obtain process and performance improvements
- Enhance the IT risk assessment by incorporating concepts from the university's IT security framework
- Review for consistency opportunities between IT and operational audit functions
- Evaluate conformance to the university developed information security framework and recently implemented policies as part of the audit process

- Implement departmental processes to ensure compliance with commonwealth data retention guidelines

Integrity and Compliance Office

- Complete compliance initiatives approved by the Board of Visitors
- Fully implement electronic employee exit survey instrument, in collaboration with Human Resources
- Continue supporting management's policy owners in updating universitywide policies and addressing gaps identified from risk assessment activities
- Augment Annual Employee Compliance Education to include a "test up" functionality in order to continue to build on the employees' engagement with, and increasing knowledge base of, ethics and compliance-related topics. Will also include additional highlights related to any prior year's identified risks
- Provide risk-based reports to Cabinet and Board Members regarding satisfied or deficient compliance obligations based on Federal Regulatory Grid
- Provide ethics and compliance based scorecards to Cabinet Members and President
- Bring to campus national best-selling author, Dr. Mary Gentile, to deliver two training workshops entitled *Giving Voice to Values*
- Host interdisciplinary compliance partner Open House during National Ethics and Compliance Week

Board of Visitors Executive Summary September 2017

PRESENTATION TITLE: ERM Steering Committee Progress	
Presenter Name and Title: Tom Briggs, Assistant Vice President for Safety & Risk Management	
Responsible University Division: Administration BOV Committee: Audit, Integrity, and Compliance Committee	
Quest Theme(s) and Goal(s) to be Addressed:	
Key Presentation Messages	<ol style="list-style-type: none"> 1. Workshops to review the enterprise risks with the Risk Owners occurred from January through April of 2017. 2. The ERM Steering Committee met to review the identified risks and evaluate their likelihood versus consequence in June and August of 2017. 3. The ERM Steering Committee will forward recommendations to the President's Cabinet in September 2017. 4. The original timeline has been delayed in order to assure proper recommendations are made to the President's Cabinet.
Governance Implications	Maintain expectations of those involved with ERM governance.
Governance Discussion Questions	<ol style="list-style-type: none"> 1. How will ongoing risks continue to be monitored? 2. Are we consistent in our approach with other institutions of higher education?
Next Steps for Management (Responsible Division Head; Timeframe for Action)	<p>Where applicable, actively participate in the:</p> <ol style="list-style-type: none"> 1. Present findings and recommendations to the President's Cabinet for approval. 2. The ERM Steering Committee will meet periodically to go over existing risks and identify if any changes are required.

ENTERPRISE RISK MANAGEMENT (ERM)

STEERING COMMITTEE PROGRESS

Recent Activities

- Safety and Risk Management held workshops with the various risk owners to review the enterprise risks. These workshops occurred from January through April of 2017.
- The ERM Steering Committee met to review the identified risks and evaluate their likelihood versus consequence in June and August of 2017.

Next Steps

- The ERM Steering Committee will forward recommendations to the President's Cabinet in September 2017.

Board of Visitors Executive Summary September 2016

PRESENTATION TITLE: Integrity & Compliance Annual Report FY 2016	
Presenter Name and Title: Jacqueline Kniska, University Integrity & Compliance Officer	
Responsible University Division: Audit and Compliance Services BOV Committee: Audit, Integrity, and Compliance Committee	
Quest Theme(s) and Goal(s) to be Addressed:	
Key Presentation Messages	<p>Each year the Integrity and Compliance Office consolidates statistics from various university areas to demonstrate reported allegations and their outcomes, as well as other ethics and compliance related events and activities occurring within the fiscal year.</p> <p>This report is provided to the BOV Audit, Integrity and Compliance Committee in furtherance of accountability and demonstrated effectiveness of VCU's Ethics and Compliance and Program.</p>
Governance Implications	This is informational in nature and provides assurances to the governing authority that administration is actively engaged in addressing identified ethical and compliance related issues universitywide and has processes in place to identify any potential for patterns or practices of misconduct.
Governance Discussion Questions	<ol style="list-style-type: none"> 1. Are there any specific areas or risks that the Board should be paying closer attention to relative to misconduct trends? 2. Does the Board and/or Audit, Integrity, and Compliance Committee need to be aware of, or provide any information to address the conclusions in this report? 3. Are there sufficient resources to maintain the compilation of this annual report? 4. Are you receiving the necessary cooperation and assistance from university administration and compliance partners in compiling this report?
Next Steps for Management (Responsible Division Head; Timeframe for Action)	This is informational in nature and data in this cycle has not resulted in any identified patterns or practices of misconduct.
Next Steps for Governance (Responsible Board Member; Timeframe for Action)	Continued support in addressing identified issues as they become apparent.



VCU

**Integrity and Compliance
Annual Report
Executive Summary**

Executive Summary

Welcome to the Annual Report of VCU's Integrity and Compliance Efforts for fiscal year (FY) 2017. Since the inception of this report in 2012, the goal has been to enhance content each year; building on a solid foundation for an ethics and compliance program, modeled and supported by various regulatory drivers, industry best practices, and, at its core, rooted in the minimal requirements of the Federal Sentencing Guidelines (FSG). This report now goes well beyond basic misconduct reporting statistics by providing a substantive account of selected universitywide integrity and compliance activities. This report will continue to be enhanced and presented to the Board of Visitors' Audit, Integrity, and Compliance Committee; the President and Cabinet; the Compliance Advisory Committee; and other audiences throughout the university community. Feedback and inquiries regarding the content and any suggestions for future reports are welcome.

The purpose of this report is two-fold. First, to support the Board in fulfilling its obligation as the university's governing authority by providing the information needed on aspects of the university's integrity and compliance activities. This charge comes directly from the FSG and is addressed by the following language, "[The] Governing authority shall be knowledgeable of and exercise reasonable oversight with respect to the implementation and effectiveness of the ethics and compliance program" as well as from widely accepted governance practices. And, secondly, to facilitate awareness and transparency throughout the university as related to ethics and compliance matters.

The hope is that the readers will gain awareness of VCU's integrity and compliance activities, events and resources. It is intended as a supplement to the established quarterly Board reporting and will permit more discussion time during scheduled Board meetings for highlights of timely activities and events throughout the year as is also expected by the FSG.

The organization shall take reasonable steps to communicate periodically and in a practical manner its standards and procedures, and other aspects of the ethics and compliance program, to the individuals referred to in a subparagraph (B) [the governing authority] by conducting effective training programs and otherwise disseminating information appropriate to such individuals' respective roles and responsibilities.

Current Landscape and Industry Trends

The focus on ethics and compliance activities continues to intensify throughout all industries. Institutions of higher education are not exempt and certainly experience the increased pressure to comply with requirements and maintain an ethical culture. Given its scope and complexity, ethics and compliance pressures on VCU remain substantial.

Maintaining an effective ethics and compliance program in an ever-changing regulatory landscape, while facing competing interests in the current economy, are major concerns for organizations, including VCU. Developing and supporting an approach based in regulatory and industry best practices, that permits

dedicated resources to systematically translate obligations and expectations into appropriate actions by responsible institutional departments, requires sustained commitment at the highest levels.

Specifically, the national and state scales have been making inquiries into the “cost of compliance” which is inordinately difficult to calculate. Requests have come from the US Congress and state agencies. More locally, at VCU, the Enterprise Risk Management (ERM) process has been enhanced to include input from both compliance and ethics as well as legal perspectives.

VCU continues to focus on doing not only what is legally required, but also doing what is right. This focus guides the ethics and compliance program and supports all compliance partners throughout VCU who are dedicated to continuing their compliance and ethics education and monitoring activities, ensuring that the highest standards are met, and constantly working to assess and mitigate risks.

Annual Integrity and Compliance Education Requirement

This education requirement is the single largest scale proactive endeavor from the Ethics and Compliance Program. The content reminds individuals of VCU’s core values and expectations and highlights additional topics based on institutional risks. This year showed marked improvement in completion rates (completion is classified as a passing score on a comprehension quiz) with an overall completion rate of 89% (compared to 67% in 2015). All employee types improved completion; specifically, the most improved were adjunct faculty (+57%), Qatar faculty (+44%) and hourly/other (+35%). Law Enforcement remained at 100%, while other groups improved as well: professional faculty (+4%), administration faculty (+5%), teaching and research faculty (+12%), student employees (+15%), classified (+9%) and clinic/MD faculty (+21%).

Reported Concerns Overview

Overall, reports to, and utilization of, all trusted advisors provide opportunities to examine policy adherence and enforce accountability, when necessary. The university’s compliance and ethics partners received and managed a total of 273 reports representing 259 unique concerns; a decrease of 11% over FY 2016. The Integrity and Compliance Office experienced an 11% decrease in concerns reported over last fiscal year, following a 3% increase in FY 2016. No newly discovered patterns or practices of concern nor systemic misconduct have been identified.

Breakdown of Reports to All Trusted Advisors Based on Independence

Fiscal Year	FY2014	FY2015	FY2016	FY2017
Reports to Independent Option – <i>ICO</i>	73	88	91	81
Reports to Independent Option – <i>Internal Audit</i>	N/A	14	24	7
Reports to Management Option – <i>Compliance Partners</i>	194	197	192	185
Total Reports	267	299	307	273
% Reported to <i>Audit and Compliance Services – independent Option</i>	27%	34%	37%	32%

As consistent with prior years and national trends (when considering reports in which employees were named as the subject), allegations classified as Human Resource-related topics remain steady and represent the majority of these reported concerns at 61%, with a 43% substantiation rate.

It is also notable that while 7% of reports in which employees were named as the subject make reference to perceived retaliation, when explicitly analyzing reports made directly to the ICO or through the Helpline, the mention of retaliation climbs to 20%. This is not unexpected given that the ICO maintains the only internal anonymous reporting method—the VCU Helpline—and individuals concerned with retaliation are generally less likely to be comfortable revealing identity.

Conflicts of Interest

This year's state requirements were fulfilled with a 100% compliance rate. Upon review of disclosures, any potential errors were handled through direct messaging for appropriate reporting and re-enforcement of the individual obligation in complete reporting. These minor errors are attributed to a change in this cycle's online form and there is no indication of ill-intent or concern. All identified conflicts continue to be managed appropriately.

VCU remains behind current practice compared to other institutions concerning an established universitywide policy and implementation program addressing conflict of interest and commitment matters. Currently, all employees are required to complete annual education covering some expectations related to this topic; however the lack of an approved policy and specialized training causes matters to be responded to in an ad hoc fashion and not always through a central office. A draft policy has been created with relevant stakeholders and will undergo the governance process in fall 2017. Details for an implementation program still need to be determined. . The process for reporting individual conflicts in research activities is already established and operates at a more mature level. It continues to be heavily monitored and managed.

Privacy

VCU remains behind current practice concerning implementation programs addressing privacy related matters compared to other Academic Medical Research Centers. The nature of university activities and

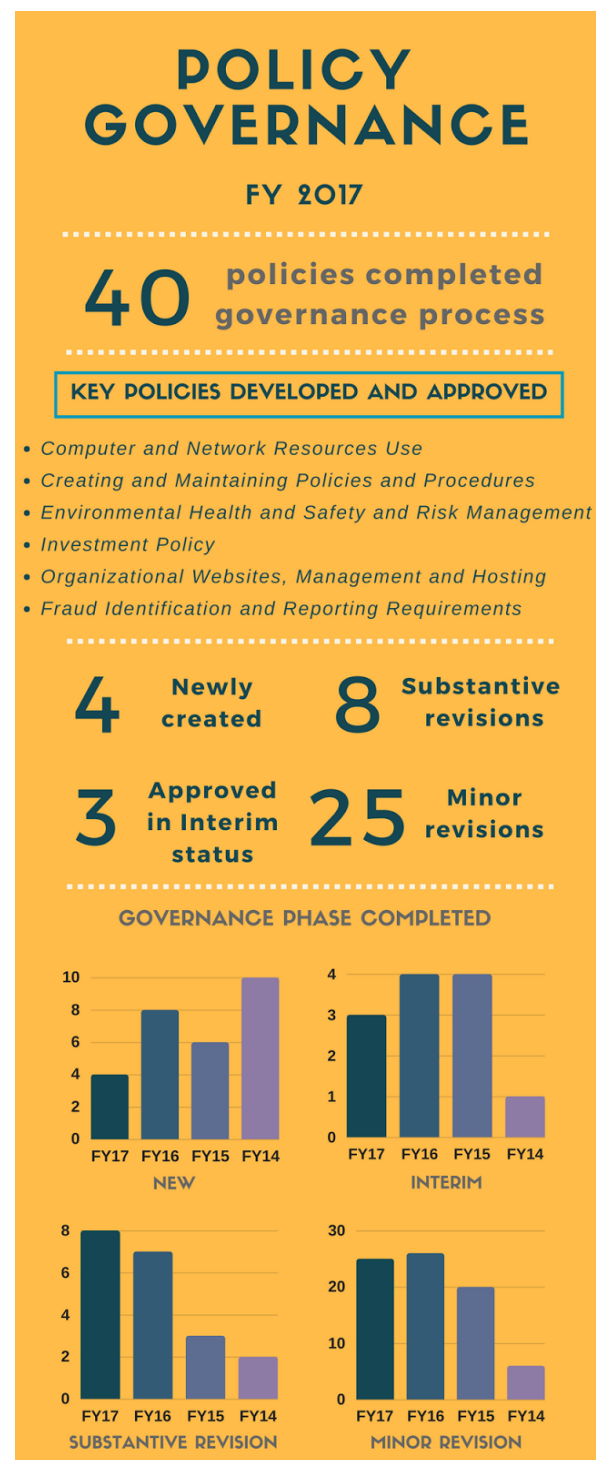
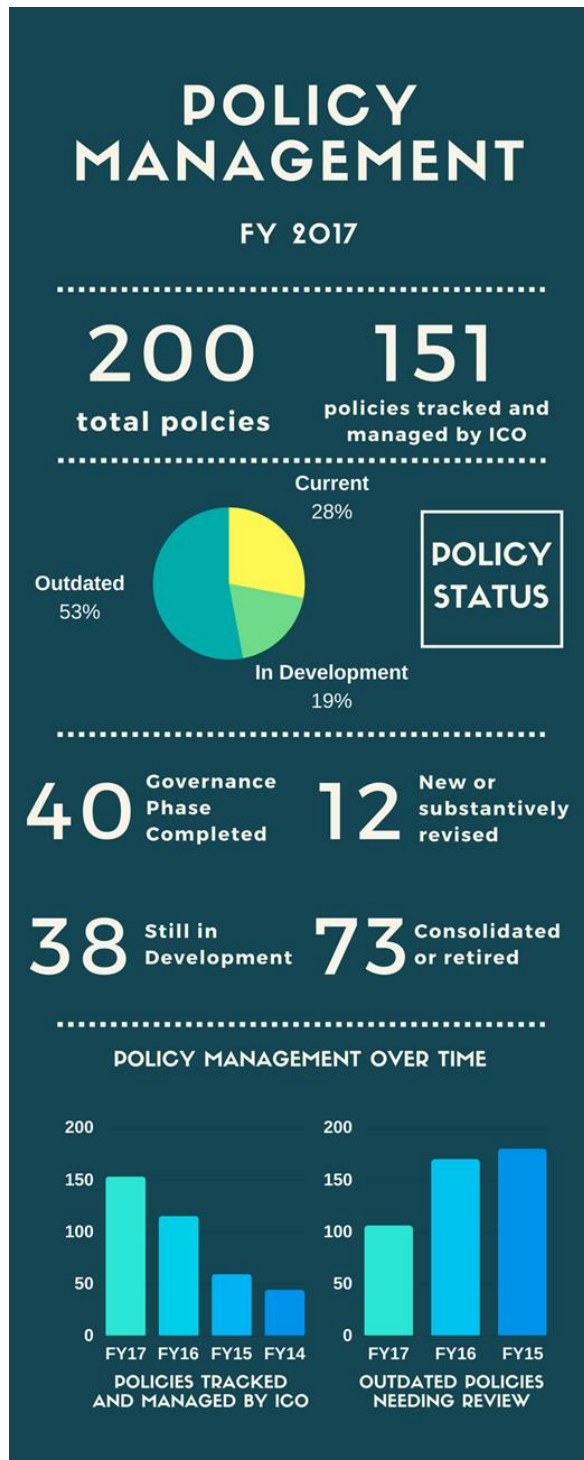
our interdependent relationship with VCU Health System further adds to the complexity of privacy in our environment and the many layers within. While currently there is neither a central Privacy Officer by title nor established clarity around primary responsibility and accountability, both central compliance offices and legal offices from VCU and VCUHS have been working toward achieving the needed clarity. Without establishing this needed clarity, topics related to privacy may go unaddressed or addressed by individuals without expertise who may or may not have decision making authority. This approach, one of operating in silos and at times without clear expectations, often results in leadership being unaware of issues and increases inconsistencies throughout the university. Privacy touches several areas of the university; specifically concerning, but not limited to:

- student education records and FERPA;
- big data, algorithms, analytics, and responsible use;
- information security monitoring and the privacy impact of surveillance;
- emerging privacy areas such as the Internet of Things (IoT), wearables, drones, location data, and augmented reality;
- open records laws and academic freedom;
- human subjects research and institutional review boards (IRBs);
- medical schools and/or academic medical centers and HIPAA;
- HIPAA on campus (e.g., student health centers, unit-based research);
- international students, scholars, and visitors;
- contractual agreements; and
- credit card processing and Payment Card Industry Data Security Standards (PCI DSS), available from the PCI Security Standards Council

It remains a priority for FY18.

Policy Program

In addition to the metrics below, the Policy Program began an initial gap assessment based on federal and state requirements for formal, written policies this year. As responses are received, the Board and stakeholder audiences will be apprised of any significant issues.



Overall Notes and Effectiveness Statement

Apart from the challenges organizations of similar scope and complexity experience, (generally relating to communication, documentation and accountability) no newly discovered patterns or practices of systemic misconduct have been identified this fiscal year. However, further progress of ethics and compliance initiatives continues to be impacted by the lean nature of administrative staffing and turnover. This results in challenges related to learning curves of new employees; loss of employees with significant institutional knowledge; duration and effort to fill vacancies; and an increase in the workload of remaining employees when vacancies occur.

Overall, the Ethics and Compliance Program continues to operate from a position of strength in:

- supporting creation and maintenance of clear expectations;
- supplying reporting mechanisms to identify perceived or actual misconduct;
- ensuring resources are dedicated to assist with appropriate responses to misconduct with an aim to prevent recurrence when identified; and
- reporting to the governing authority on matters of progress and of concern.

Additionally, the network of trusted advisors, known as compliance partners, and the continued commitment by Compliance Advisory Committee members adds to the strength of VCU's capacity for ethics and compliance effectiveness. The role of management to enforce expectations and set the tone of integrity in all operations remains critical.

The ICO continually reviews its operations to ensure the program is evolving to meet the needs of VCU while promoting an ethical culture, navigating our complex legal and regulatory environment, and providing efficient systems to detect and prevent instances of misconduct. An independent review by an outside party is slated for early FY19. These efforts ultimately combine to increase value to VCU as it strives to meet its mission of excellence and in upholding the public's trust.

Highlights and Governance Q&A:

What is the Board of Visitors' responsibility for an effective ethics and compliance program?

The Board should be knowledgeable about the content and operation of the ethics and compliance program and should exercise reasonable oversight with respect to implementation and effectiveness of the program along with all duties incumbent upon Board members.

Board members should, at a minimum, ask these questions centered on effectiveness:

- Is the organization's program well-designed?
- Is the program being applied earnestly and in good faith (i.e.; is it more than a paper program)?
- Does the compliance program work?

What are the goals of the ethics and compliance program?

1. Promote a culture of integrity and accountability; specifically enhancing a culture that promotes prevention, detection and resolution of instances of misconduct; defined as non-compliance with federal and state laws, regulations, and the university's own policies and ethical standards.
2. Provide oversight and facilitation in developing best practices supported through diligent research and evidenced-based information for education, policies, processes and investigations related to workplace misconduct.
3. Provide preventative, detective and deterrent resources to assist with risk mitigation. Reduce reputational and goodwill damage resulting from misconduct, lack of management controls, or ineffective management systems. These resources help to reduce damage and assist management in mitigating risk.
4. Promote awareness to management of compliance and ethics risks with the Board of Visitors (Audit, Integrity and Compliance Committee); the president; cabinet members; and senior leadership.
5. Provide effective reporting mechanisms for allegations of non-compliance or improper governmental activities that are free of retaliation and allow for anonymity.



How does culture impact organizational ethics and compliance?

An organizational culture that encourages ethical conduct and a commitment to compliance with not only “the letter of the law,” but also “the spirit of the law” is mission critical and significantly enhanced by engaged stakeholders. Board members and senior management taking an active role in the implementation of the ethics and compliance program set the tone that an organization’s expectations are an individual responsibility and management’s accountability. Understanding the importance and benefit of maintaining an effective program promotes that this endeavor is a journey, and not a destination, that is incumbent upon every individual participating in order for it to be successful.

How would VCU's ethics and compliance program be viewed for effectiveness?

No new patterns or practices of systemic misconduct have been identified in FY2017, apart from the challenges all organizations of similar scope and complexity experience, which relate to communication and documentation. Plans continue to make progress to address both of these challenges. Overall, the Ethics and Compliance Program continues to operate from a position of strength in supplying reporting mechanisms to identify perceived or actual misconduct and resources are dedicated to assist with appropriate responses to misconduct with an aim to prevent recurrence when identified. Additionally, the network of compliance partners and commitment by Compliance Advisory Committee members continues to strengthen VCU's capacity for ethics and compliance effectiveness.

Industry benchmarks for higher education continue to identify that, with increasing regulatory and public demands, an effective program with solid foundational elements will continue to require attention to new efforts and the agility to respond to changing demands whether from industry, regulation, or specific to the needs of VCU.

To review the Annual Report in full, please visit by clicking [here](#).