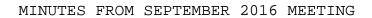**VIRGINIA COMMONWEALTH UNIVERSITY**
BOARD OF VISITORS
AUDIT, INTEGRITY, AND COMPLIANCE COMMITTEE AGENDA
** 7:45 a.m. – 9:15 a.m. – Cabell Library, 3rd Floor

December 9, 2016

OPEN SESSION			
CONSENT - FOR ACTION			
	Mr. Worley	1. Minutes of the Meeting held on September 15, 2016	pg. 1-3
PRIORITY – FOR INFORMATION			
	Karen Helderman	2. Auditor of Public Accounts – Annual Financial Statement Audit for the Fiscal Year Ended June 30, 2016	pg. 4
	Bill Cole	3. Audit, Integrity, and Compliance Committee Dashboard Measures	pg. 5-7
	Tom Briggs	4. ERM Steering Committee Progress	pg. 8-9
	Kathleen Shaw	5. Data Governance Update	pg. 10
	Jacqueline Kniska	6. Compliance Activities	pg. 11-12
	Bill Cole	7. Overview of Internal Quality Assessment	pg. 13-15
CLOSED SESSION ON AUTHORIZED MATTERS			
	Madelyn Wessel	8. University Counsel Update	
		9. Audit Updates	
	David Litton	A. Audit Reports for Discussion	
		• Non-federal Financial Aid	
		• Consolidated Audit of Pathology	
		• School of Medicine Technology	
	Bill Cole	B. Audit Reports for Information	
		• Massey Cancer Center	
		• Selected Accounts	
	Bill Cole	C. Audit Work Plan Status Report	
	Bill Cole	Executive Session	
OPEN SESSION			
FOR ACTION			
	Erin McClinton	10. Resolution of Certification	

** All start times for Committees and the Board are approximate only. Meetings are sequential in the order appearing. Meetings may begin either before or after the listed approximate start time as committee members are ready to proceed.

MINUTES FROM SEPTEMBER 2016 MEETING

DRAFT

Virginia Commonwealth University
Audit, Integrity and Compliance Committee of the Board of Visitors

Minutes

Date: September 15, 2016

Time: 7:45 a.m. – 9:15 a.m.

Location: James Cabell Library, 901 Park Avenue, Richmond, VA, Room 311

Present: Mr. Steve L. Worley, Chair

                Mr. Ronald McFarlane, Vice Chair

                Dr. Robert D. Holsworth

                Dr. Carol S. Shapiro

                Mr. Tyrone E. Nelson

                Mr. Ben Dendy

                Mr. Keith Parker

                Dr. Michael Rao

                Mr. John A. Luke, Rector

                Ms. Madelyn F. Wessel

                Mr. William H. Cole

                Ms. Laurie J. Carter

                Ms. Erin McClinton

                Staff from VCU and VCUHS

The meeting was called to order at 7:48 a.m. and on motion made and seconded, the Audit, Integrity, and Compliance Committee approved the Minutes of the Meeting held on May 13, 2016.

After presentation by Mr. Cole on motion made and seconded, Audit and Compliance Services Charter – Annual Update was recommended for approval to the full board of visitors.

The following items were presented for information after general discussion follow-up requests were made:

- Committee Goals FY17 were presented by Mr. Cole

- Committee Dashboard Measures Status was presented by Mr. Cole with all indicators being green except Data Security and Compliance Oversight being yellow.

- Audit and Compliance Services – Staff Credentials and Department Budget were presented by Mr. Cole.

- Audit and Compliance Services – Goals, Objectives, and Accomplishments were presented by Mr. Cole

On motion made and seconded, the Audit, Integrity, and Compliance Committee convened into closed session to discuss certain personnel matters involving the performance of identifiable employees or faculty of VCU, and to discuss the evaluation of performance of departments or schools of VCU 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 VCU, as may be necessary, as authorized by Section 2.2-3711 A(1) and A(7) of the Virginia Freedom of Information Act.

Following closed session, on motion made and seconded, the following Resolution was approved by acknowledgement of agreement with resolution of certification with a show of hands, all members were in agreement.

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

Vote	Ayes	Nays
Mr. Steve Worley, Chair	X	
Mr. Ron McFarlane, Vice Chair	X	
Dr. Carol Shapiro	X	
Dr. Robert Holsworth	X	
Mr. Tyrone Nelson	X	
Mr. Keith Parker	X	
Mr. Ben Dendy	X	

Vote:
Ayes: 7
Nays: 0

ABSENT DURING MEETING: 0
ABSENT DURING VOTING: 0

The meeting was adjourned at 9:11 a.m.

PRESENTATION BY AUDITOR OF PUBLIC ACCOUNTS

Board of Visitors Executive Summary
December 2016

Presenter Name and Title: Karen Helderman, APA

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	1. Present the results of the annual audit of the university's financial statements for the year ended June 30, 2016. 2. Required communications on the auditor's opinion, scope of internal control work, compliance testing, fraud and illegal acts, significant accounting policies, alternative accounting treatments, accounting estimates, significant audit adjustments (if any), and disagreements with management (if any)
Governance Implications	1. Receiving unmodified audit opinion of the financial statements. 2. Maintaining controls to ensure proper stewardship and accountability of resources, effectiveness and efficiency of operations, reliability of financial reporting, safeguarding of assets, and compliance with laws and regulations. 3. Compliance with federal and state laws and regulations.
Governance Discussion Questions	1. What issues and risks are affecting higher education audits? 2. Are there any specific accounting or compliance changes that the university needs to prepare for?
Next Steps for Management (Responsible Division Head; Timeframe for Action)	Provide corrective action plans for any audit findings.
Next Steps for Governance (Responsible Board Member; Timeframe for Action)	Meet with the Auditor of Public Accounts prior to the start of the next annual audit

DASHBOARD MEASURES

Board of Visitors Executive Summary
December 2016

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	1. The committee's dashboard measures primarily utilize the following signal light rating method: 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 2. This Committee's currently rated measures are: 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
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

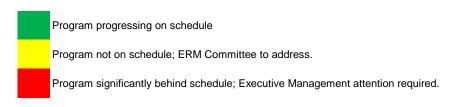Notes: No major incidents or breaches have occurred since our last meeting.

Recently implemented countermeasures have helped to significantly reduce the usefulness of stolen credentials and improve the security posture of the University. Additional deployment of multi-factor authentication is underway, and a new web policy and associated procedures are in the process of being implemented along with an enhanced security architecture for applications provisioned in the University environment. In anticipation of continued growth in the adoption of encryption technologies on networks, additional endpoint security controls including defensive and forensics capabilities are being evaluated and implemented for high value assets. A risk based data management tool based on the VCU security framework is in the final stages of development and will be key in assisting VCU schools and departments in developing Data Management Plans for various distributed systems. New initiatives in the Information Security Office include:

* Implementation of a new architecture around the network and devices that are involved in credit card processing that are necessary to continue to ensure compliance to PCI (Payment Card Industry) Data Security

* Work to develop an infrastructure to aid in compliance to newly emerging standards on CUI (Controlled Unclassified Information being issued by NIST (The National Institute of Standards & Technology). This is particularly important to maintaining eligibility to receive certain kinds of research grants.

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) continued their review of the highest ranked Risk Mitigation and Management (RMM) Plans. AN ERM software module has been implemented. A risk management consultant to assist with the next assessment phase has begun planning the next risk cycle.
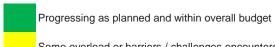
PLANNED AUDIT STATUS

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

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

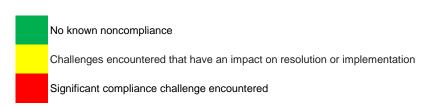■ Progressing as planned and within overall budget

■ 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.

ERM STEERING COMMITTEE

Board of Visitors Executive Summary
December 2016

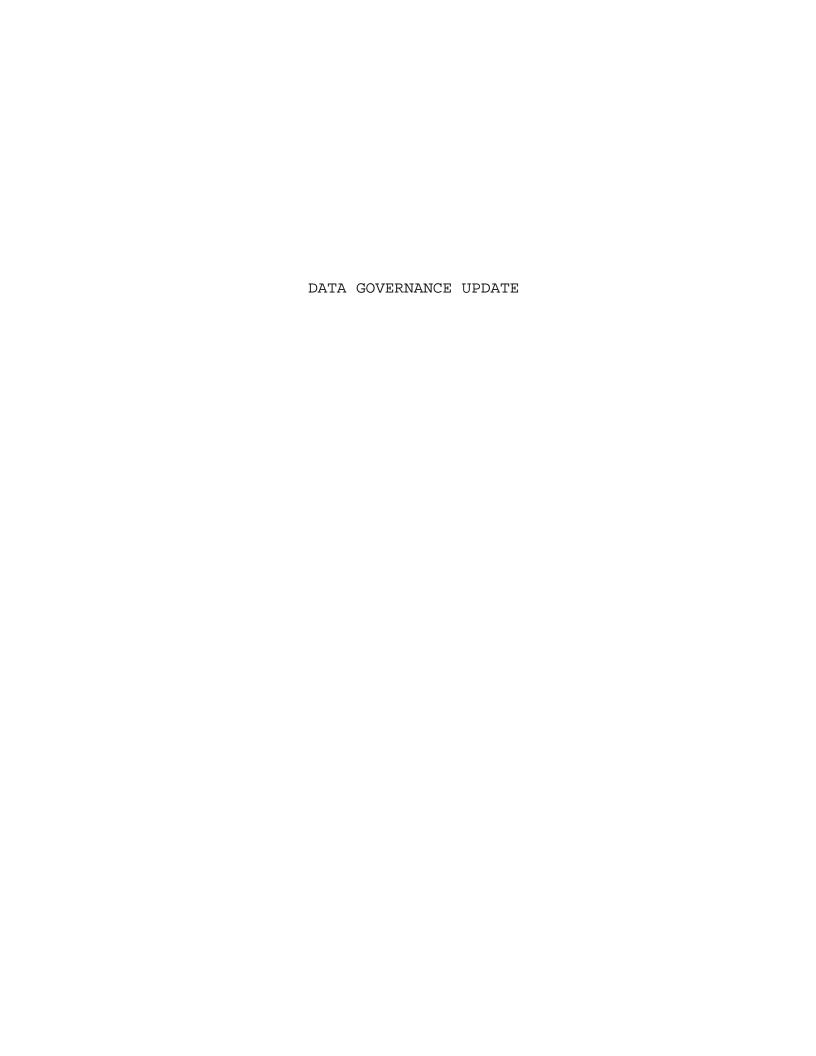|	
PRESENTATION TITLE: ERM Steering Committee Progress	
Presenter Name and Title: Tom Briggs, Assistant Vice President for Safety & Risk Management	
Responsible University Division: Administration **BOV Committee:** Audit, Integrity, and Compliance Committee	
Quest Theme(s) and Goal(s) to be Addressed:	
Key Presentation Messages	1. The Steering Committee reviewed two risks: • Attract, Develop and Retain People (Faculty and Staff) • Health, Safety and Security: Office of Environmental, Health and Safety
Governance Implications	Maintain expectations of those involved with ERM governance.
Governance Discussion Questions	1. How will new enterprise risks be identified? 2. How will ongoing risks continue to be monitored? 3. What is the university's risk appetite as it relates to the various risk themes?
Next Steps for Management (Responsible Division Head; Timeframe for Action)	Where applicable, actively participate in the: 1. Assessment of risks by Risk Owners is being scheduled for Winter and Spring 2. New Charter for Steering Committee and then a new meeting schedule will be established

ENTERPRISE RISK MANAGEMENT (ERM)
STEERING COMMITTEE PROGRESS

Recent Activities

- During their November meeting, the ERM Steering Committee (Committee) continued to review and discuss progress made for "Attract, Develop and Retain People (Faculty and Staff)" and "Health, Safety and Security: Office of Environmental, Health and Safety". The process owners presented updated risk mitigation plans, addressed the Committee's questions, and were forthcoming in current concerns or opportunities for improvement. Due to the nature of these risks, mitigation evaluation will be ongoing and balanced with the university's risk appetite.

- The Steering Committee has forwarded a new committee charter for the President's Approval.

- The review of enterprise risks with Risk Owners is being scheduled for the winter and following spring.

Next Steps

- Gain President's approval for the new Steering Committee Charter and set new schedule with members.

- Begin review of risks with Risk Owners and complete by June 2017.

DATA GOVERNANCE UPDATE

Board of Visitors Executive Summary
December 2016

PRESENTATION TITLE: Data Governance Update	
Presenter Name and Title: Kathleen Shaw, Vice Provost for Planning and Decision Support and Alex Henson, Chief Information Officer	
Responsible University Division: Technology Services **BOV Committee:** Audit, Integrity, and Compliance Committee	
Quest Theme(s) and Goal(s) to be Addressed: Stewardship of Resources	

Key Presentation Messages	1. DIMC Phase III Update
	
	   a. Investment in new technology to enhance reporting capabilities and support data integrity
	
	   b. Work plan deliverables for FY17
	
	   c. Two dimensions to DIMC ongoing initiatives: issue identification and resolution; integrated data mart and self-service reporting development
	
	2. Progress report on LIBRA (formerly Banner Revitalization) initiative

Governance Implications	1. Provide DIMC update and progress against FY17 work plan for committee members 2. Share progress made on LIBRA (formerly Banner Revitalization) and discuss next steps
Governance Discussion Questions	1. Are there specific questions or concerns the committee would like to have DIMC address that are not included in the current work plan? 2. Is there additional information needed to keep committee abreast of Banner-related efforts?
Next Steps for Management (Responsible Division Head; Timeframe for Action)	
Next Steps for Governance (Responsible Board Member; Timeframe for Action)	

COMPLIANCE ACTIVITIES

Board of Visitors Executive Summary
December 2016

PRESENTATION TITLE: Compliance and Ethics Program Activities	
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: Supports all	
Key Presentation Messages	Recent activities include: Annual Compliance Education - In its fourth year, the Integrity and Compliance Office (ICO) has led a universitywide training initiative covering key expectations of university community members, based in ethical conduct. This update is provided to the governing authority in order to support assurances that appropriate, timely training from a policy and Code of Conduct perspective is covered and effectively assists in furtherance of accountability and demonstrated effectiveness of VCU's Compliance and Ethics Program. Compliance Week (November 7-11, 2016) – Events were held throughout the week highlighting VCU's commitment to ethical, professional, and compliant conduct and bringing awareness and reminders centered around challenges to upholding expectations. VCU's inaugural Compliance Partner Open House was a major event highlighting the VCU Compliance Network of individuals who cover regulatory compliance operations and the ICO highlighted ethical expectations framed by policy and Code of Conduct. A relaxing environment was staged for visitors to meet and converse with subject matter experts, collect resources and participate in trivia driven contests; have lunch and destress in a non-crisis environment. Additionally, screenings of the film (Dis) Honesty were held throughout the week which highlighted the ethical lapses of real people in a research-based documentary style film created by Dan Ariely (Duke University Professor from the center for Advanced Hindsight). Lastly, Annual Employee Education was launched this week and a full report on compliance rates will be forthcoming to this Committee in February.

Governance Implications	This is informational in nature and provides assurances to the governing authority that administration is actively engaged in communicating ethics and compliance based topics throughout the university community to timely remind employees of expectations and avenues available to identify any potential for patterns or practices of misconduct.
Governance Discussion Questions	1. Has there been improvement in the participation of the annual compliance and ethics education module? 2. Are you receiving the necessary cooperation and assistance from university administration and compliance partners? 3. Are there any specific areas or risks that require the Committee's attention relative to the Annual Education Module? 4. Are there sufficient resources to achieve the desired results of this annual education module?
Next Steps for Management (Responsible Division Head; Timeframe for Action)	Continued support in treating compliance and ethics education as mandatory and explore options for incentivizing completion of education module.
Next Steps for Governance (Responsible Board Member; Timeframe for Action)	Continued support in addressing any identified issues as they become apparent.

OVERVIEW OF INTERNAL QUALITY ASSESSMENT

Board of Visitors Executive Summary
December 2016

PRESENTATION TITLE: Overview of Internal Quality Assessment	
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	1. The International Professional Practices Framework (IPPF) by the Institute of Internal Auditors (IIA) mandates conformance with: • Core Principles for the Professional Practice of Internal Auditing • Definition of Internal Auditing • Code of Ethics • *International Standards for the Professional Practice of Internal Auditing (Standards)* 2. In accordance with the IPPF, Audit and Compliance Services must develop and maintain a quality assurance and improvement program (program). 3. This program includes both internal and external assessments. • Internal assessments must be both ongoing and periodic. • External assessments must be conducted at least once every five years. 4. Assessment results must be communicated to senior management and the board to be in conformance with *IIA Standards*.
Governance Implications	Provides an evaluation of the internal audit activity's conformance with the IPPF and assesses efficiency, effectiveness, and improvement opportunities.
Governance Discussion Questions	1. How does Audit and Compliance Services perform internal assessments? 2. Have the internal assessments indicated any areas of nonconformance or improvement opportunities?
Next Steps for Management (Responsible Division Head; Timeframe for Action)	Continued support in: • hiring qualified staff for the internal audit function; • providing continuing education to the staff; and • maintaining, updating, and/or purchasing (as necessary) automation tools that can be used in performing the work.
Next Steps for Governance (Responsible Board Member; Timeframe for Action)	Support continued conformance with the IPPF and the allocation of resources.

Audit and Compliance Services
Quality Assurance and Improvement Program
December 2016 Update

Audit and Compliance Services (ACS) is responsible for providing internal audit services to both the Virginia Commonwealth University (VCU) and VCU Health System. The department has identified the International Professional Practices Framework (IPPF) as its conceptual framework. The IPPF represents authoritative guidance by the Institute of Internal Auditors (IIA) and mandates conformance with the following elements.

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing
- Code of Ethics
- *International Standards for the Professional Practice of Internal Auditing (Standards)*

ACS maintains a quality assurance and improvement program to provide continual evaluation of conformance with the IPPF, to assess the efficiency and effectiveness of the internal audit activity, and to identify opportunities for improvement. This evaluation is done through internal and external assessments.

Internal assessments of the ACS' internal audits are conducted through ongoing monitoring by the audit management team as part of their supervisory review and through periodic self-assessments by the Special Projects and Quality Assessment Manager. A summary of the most recent periodic self-assessment review is provided below.

An external quality assessment (QA) report (dated October 2014) was issued by ACUA members (Association of College and University Auditors) and presented to the board in December 2014. The highest rating of generally conforms was received. As stipulated by the *Standards*, the next external assessment is due in five years or 2019. All areas identified in the 2014 external QA report have been addressed to-date except for recording the university information technology final annual risk assessment documentation in the audit workpaper format; this one risk assessment's support data was lost during the implementation of the audit workpaper software.

Internal Periodic Self-Assessment Results Performed by
Special Projects and Quality Assessment Manager

The most recent periodic internal audit assessment of the work papers was performed by Anne Sorensen and was communicated directly to the Executive Director as recommended by the IIA Practice Advisory. Overall, the work paper assessment was rated as "generally conforms," the highest assessment scale rating listed in the IIA *Quality Assessment Manual*. The most notable opportunities for improvement are identified below; however, none of these areas were deemed to represent situations or deficiencies that would have a significant negative impact on the internal audit activity's effectiveness or overall conformance with the *Standards*.

- Increase sampling knowledge
- Refine workpaper documentation and review process in the new audit workpaper system
- Consistently record consulting service engagements in workpaper format
- Finalize workpapers in the automated audit system that will be retired
- Standardize use of recording internal metric data

In addition to the work paper review, Anne Sorensen has participated in departmental meetings and trainings, observed the implementation of various best practices, confirmed the implementation of progress with the external quality assessment recommendations, and reviewed board and other office support documentation. Based on such exposure during fiscal year 2016 to date, the following statements can be made.

- ACS is effectively achieving the IIA Core Principles.
- ACS is considered to be in conformance with the definition of Internal Auditing.
- The internal auditors of ACS are in conformance with the IIA Code of Ethics.

This assessment did not identify any significant areas of nonconformance with the IPPF.