



**Board of Visitors  
Audit, Integrity and Compliance Committee  
7:45 a.m.  
September 17, 2021  
James Cabell Library  
901 Park Avenue, Room 303, Richmond, Virginia**

**Minutes**

**COMMITTEE MEMBERS PRESENT**

Dr. Shantaram Talegaonkar, Chair  
Mr. Peter Farrell, Vice Chair  
Mr. Andrew Florance  
Mr. Keith Parker  
Dr. Tonya Parris- Wilkins

**COMMITTEE MEMBERS ABSENT**

Ms. Coleen Santa Ana  
Ms. Alexis Swann

**OTHERS PRESENT**

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

**CALL TO ORDER**

Mr. Peter Farrell, Vice Chair, called the meeting to order at 7:49 a.m.

**APPROVAL OF MINUTES**

Mr. Peter Farrell asked for a motion to approve the minutes of the May 13, 2021 meeting of the Audit, Integrity and Compliance Committee, as published. After motion duly made and seconded, the minutes of the May 13, 2021 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>

### **Audit, Integrity and Compliance Committee Charter and Meeting Planner**

Karen Helderman presented the committee charter and meeting planner for approval as required annually. The charter and planner reflect the duties and responsibilities of the committee as required by the board bylaws and the planner provides the timeline for the presentation of required committee reports and materials. A copy of the committee charter and meeting planner are attached hereto as **Attachment A**.

### **Audit and Compliance Services Department Charter**

Karen Helderman presented the department charter for Audit and Compliance Services which outlines the responsibilities of the department. A copy of the department charter is attached hereto as **Attachment A**.

### **Report from the Executive Director of Audit and Compliance Services**

Karen Helderman provided an update on previously unresolved findings reported in the fiscal year 2020 annual follow-up report. She also presented the fiscal year 2021 annual follow-up report, which included one board level and four management level past due corrective action plans. The Executive Director shared the results of two audit reports involving outside professional activities and the RealSource purchasing system, as well as an overview of the annual Integrity and Compliance Services report. The annual report noted a favorable decline in the number of reported misconduct concerns (likely due to the remote work conditions last year), a favorable decline in the number of high severity concerns, and a continued favorable substantiation rate. Although VCU favorably tracks below industry average for individuals wishing to remain anonymous when reporting a concern, our percentage did increase slightly this year from 21% to 27%.

A copy of Ms. Helderman's presentation is attached hereto as **Attachment C**.

### **Information Technology Update**

The Chief Technology Officer updated the committee on VCU's Information Technology services and noted that phishing continues to be a primary security threat. He also offered a description of VCU's posture regarding ransomware attacks which were reported on the completion of corrective action plans related to the FY20 Annual Report of Past Due Findings that were due since the last committee meeting.

### **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 under **Section 2.2-3711 (A)(7) and (8)**, of the Virginia Freedom of Information Act for consultation with legal counsel pertaining to specific legal matters requiring legal advice by counsel and actual or probable litigation, where such consultation of briefing in open meeting would adversely affect the negotiating or litigating posture of the university, namely a survey of and status report on the

university's positions in potential and current litigation in state and federal courts and other legal matters relating to pending investigations; and under **Section 2.2-3711 (A)(19)** for discussion of specific cybersecurity vulnerabilities and briefing by staff concerning actions taken to respond to such matters, specifically pertaining to human subjects research data and related IT processes.

### **RECONVENED SESSION**

Following the closed session, the public was invited to return to the meeting. Mr. Farrell, Vice 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.

<b><u>Vote</u></b>	<b><u>Aves</u></b>	<b><u>Nays</u></b>
Dr. Shantaram Talegaonkar, Chair	X	
Mr. Peter Farrell, Vice Chair	X	
Mr. Andrew Florance	X	
Mr. Keith Parker	X	
Dr. Tonya Parris-Wilkins	X	
Dr. Shantaram Talegaonkar	X	

All members responding affirmatively, the motion was adopted.

### **ADJOURNMENT**

There being no further business, Mr. Farrell, Vice Chair, adjourned the meeting at 9:09 a.m.



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

**B. Internal Controls:**

1. Review and evaluate the university's processes for assessing significant risks and exposures.
2. Make inquiries of management concerning the effectiveness of the university's system of internal controls.
3. Review management's written responses to significant findings and recommendations of the auditors, including the timetable to correct the weaknesses in the internal control system.
4. Advise management that they are expected to provide a timely analysis of significant financial reporting issues and practices.

**C. External Auditors/Financial Statements:**

1. Meet with the external auditors and university management to review the scope of the external audit for the current year. The auditors should inform the Audit, Integrity, and Compliance Committee of any significant changes in the original audit plan.
2. Discuss with the external auditors their processes for identifying and responding to key audit and internal control risks.
3. Advise the external auditors that they are expected to provide a timely analysis of significant financial reporting issues and practices
4. Review the coordination of internal and external audit procedures to promote an effective use of resources and ensure complete and efficient coverage of the university's risks.
5. Meet with the external auditors at the completion of the audit and make inquiries concerning the effectiveness of the university's system of internal controls.

Consistent with state law, a portion of the meeting may be conducted in closed Session without members of university management present.

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

**D. Internal Auditors:**

1. Review and approve the annual audit and management services work plan and any significant changes to the plan.
2. Require Audit and Compliance Services to perform annual reviews of the President's discretionary accounts and to issue a report thereon to the Committee.
3. Review annually the qualifications of the audit and management services staff and the level of staffing.
4. Assess the effectiveness of the internal audit function, including its independence and reporting relationships and conformance with The Institute of Internal Auditors' (IIA) Definition of Internal Auditing, Core Principles, the IIA Code of Ethics and the *International Standards for Professional Practice of Internal Auditing* by inquiring and reviewing the assessment results of the internal and external Quality Assurance and Improvement Program.
5. Review completed audit reports and progress reports on executing the approved work plan and inquire of any other matters that require audit resources.
6. Review annually the status of previously issued internal audit findings.
7. Inquire of the Executive Director of Audit and Compliance Services regarding any difficulties encountered in the course of his audits, including any restrictions on the scope of work or access to required information.
8. Review the performance of the Executive Director in consultation with the President and approve the Executive Director's annual salary compensation and bonus, if any.
9. Review and approve the appointment, replacement, reassignment, or dismissal of the Executive Director of Audit and Compliance Services.

**E. Data Integrity:**

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

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

**F. University Ethics and Compliance Program:**

1. Review the annual compliance planned initiatives and any significant changes to the plan.
2. Review the qualifications of the compliance staff and the level of staffing.
3. Assess the effectiveness of the compliance program, including its independence and reporting relationships.
4. Review completed compliance reports and progress reports on the status of compliance and integrity related initiatives including process and plans in place to assess conflict of interest management (inclusive of institutional and individual conflicts).
5. Require the Integrity and Compliance Office to report on management's processes and procedures that provide assurance that the university's mission, values, codes of conduct, and universitywide policies are properly communicated to all employees.
6. Review results of compliance reviews to ensure system and controls are designed to reasonably ensure compliance with laws and regulations, university policies and the code of conduct.
7. Inquire of the Executive Director of Audit and Compliance Services whether there have been any restrictions on the scope of work or access to required information in conducting compliance and ethics reviews.

**G. Enterprise Risk Management**

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

**H. Legal:**

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





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

A = Annually; Q = Quarterly; AN = As Necessary Q1, Q2, Q3, Q4 based on Fiscal Year (July – June)	Frequency			Planned Timing			
	A	Q	AN	Q1 Sep	Q2 Dec	Q3 Mar	Q4 May
4. Assess the effectiveness of the internal audit function, including its independence and reporting relationships and conformance with the Definition of Internal Auditing, Core Principles, the IIA Code of Ethics and the <i>International Standards for Professional Practice of Internal Auditing</i> by inquiring and reviewing the assessment results of the internal and external Quality Assurance and Improvement Program	X				X		
5. Review completed audit reports and progress reports on executing the approved work plan and inquire of any other matters that require audit resources		X		X	X	X	X
6. Review annually the status of previously issued internal audit findings	X			X			
7. Inquire of the Executive Director of Audit and Compliance Services regarding any difficulties encountered in the course of his audits, including any restrictions on the scope of work or access to required information		X		X	X	X	X
8. Review the performance of the Executive Director in consultation with the President and approve the Executive Director's annual salary compensation and bonus, if any.	X			X			
9. Review and approve the appointment, replacement, reassignment, or dismissal of the Executive Director of Audit and Compliance Services			X				
<b>E. Data Integrity</b>							
1. Review the adequacy of the university's IT management methodology with regards to internal controls, including applications, systems, and infrastructure. This includes but is not limited to: <ul style="list-style-type: none"> <li>Physical and virtual security with regards to university servers and storage</li> <li>Network security architecture and operations</li> <li>Reliability and robustness of data center (servers and storage) and network infrastructure environments</li> <li>Disaster recovery and business continuity infrastructure and associated processes and procedures</li> </ul>			X	X		X	

A = Annually; Q = Quarterly; AN = As Necessary	Frequency			Planned Timing			
	A	Q	AN	Q1	Q2	Q3	Q4
				Sep	Dec	Mar	May
2. Review the adequacy of the university's data management policies and procedures to ensure data security and data integrity in institutional reporting. This includes but is not limited to: <ul style="list-style-type: none"> <li>• Authentication and authorization mechanisms in accessing university data</li> <li>• Data Governance structure and policies</li> <li>• Data security policies including data access roles and responsibilities</li> </ul>			X		X		X
<b>F. University Ethics and Compliance Program</b>							
1. Review the annual compliance planned initiatives and any significant changes to the plan	X						X
2. Review the qualifications of the compliance staff and the level of staffing (utilization and effort focus)	X			X			
3. Assess the effectiveness of the compliance program, including its independence and reporting relationships	X			X			
4. Review completed compliance reports and progress reports on the status of compliance and integrity related activities including process and plans in place to assess conflict of interest management (inclusive of institutional and individual conflicts)		X		X	X	X	X
5. Require the Integrity and Compliance Office to report on management's processes and procedures that provide assurance that the university's mission, values, and codes of conduct and universitywide policies are properly communicated to all employees	X			X			X
6. Review results of compliance reviews to ensure system and controls are designed to reasonably ensure compliance with laws and regulations, university policies and the code of conduct			X	X	X	X	X
7. Inquire of the Executive Director of Audit and Compliance Services whether there have been any restrictions on the scope of work or access to required information in conducting compliance and ethics reviews		X		X	X	X	X
<b>G. Enterprise Risk Management</b>							
1. Provide oversight of the university's Enterprise Risk Management program		X		X	X	X	X
2. Review the university's risk appetite	X				X		

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

# 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 by management to ensure health system and 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, accountability, fiscal performance and compliance processes, and for protecting organizational reputation will be addressed with the appropriate level of management when identified.

### **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 work plans and initiatives.
- Coordinate efforts with other control and monitoring functions (risk management, financial officers, campus police, university counsel and health system general counsel, external auditors, government reviewers, 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 work plans and 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 information 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 work 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 future evaluation of evaluating these processes or systems 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 initiatives, and on its conformance to standards and best practices. 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. Receive cooperation from all university and health system personnel and affiliates.
- Have full access to the respective board committee.
- Allocate departmental resources, set audit and review frequencies, determine scopes of work, and apply the techniques necessary to accomplish objectives.
- Obtain the necessary assistance of personnel in departments when performing work plans and initiatives, 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.