

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS**

**Meeting of the Audit, Compliance,
and Risk Committee**

September 14, 2017

AUDIT, COMPLIANCE, AND RISK COMMITTEE

Thursday, September 14, 2017

10:45 – 11:30 a.m.

Lower West Oval Room, The Rotunda

Committee Members:

Babur B. Lateef, M.D., Chair
Robert M. Blue
Mark T. Bowles
L. D. Britt, M.D.
Frank M. Conner III, Ex-officio
Margaret F. Riley
Adelaide Wilcox King, Faculty Consulting Member

AGENDA

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A. Discussion of certain personnel matters involving the performance of identifiable employees or faculty of the University, and to discuss the evaluation of performance of University departments or schools 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, as may be necessary, as authorized by Section 2.2-3711 A(1) [and A(7)] of the Virginia Freedom of Information Act.

- B. Discussion of controls related to safeguarding of rare and historically invaluable assets and physical and IT security of the specific buildings on UVA Grounds housing them. The relevant exemptions to the Virginia Freedom of Information Act authorizing the discussion described above are provided for in Section 2.2-3705.2(14) (a) and (b) of the Code of Virginia on exclusions for records relating to public safety.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 14, 2017

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: I. Remarks by the Committee Chair

ACTION REQUIRED: None

BACKGROUND: Dr. Babur Lateef, the Committee Chair, will open the meeting and review the agenda.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS CONSENT AGENDA**

II.A. Revised Enterprise Risk Management (ERM) Charter

The Board of Visitors approved the University’s ERM Charter in February 2016. Since that time, we have made enhancements to the ERM program including the creation of additional networks and the onboarding of the Health System. These enhancements, and further clarity regarding ERM program management, result in a need to update the existing charter. Notable changes to the charter include:

- Redefining the mission of the ERM effort
- Clarifying the objectives of the program
- More clearly defining the roles supporting the program
- Recognizing the creation of Risk Management Networks at the Academic Division and Health System

**UNIVERSITY OF VIRGINIA
ENTERPRISE RISK MANAGEMENT CHARTER**

I. Mission

The purpose of the University of Virginia's Enterprise Risk Management (“ERM”) program is to strengthen the University’s ability to achieve its mission and strategic objectives. This is done by effectively managing key risks and seizing opportunities related to the achievement of our strategic objectives. In this context, risk encompasses both negative events (“downside risk”) and opportunities (“upside risk”). An effective ERM program helps the University effectively deploy its resources in pursuit of its objectives.

II. Scope

The scope of the program includes ERM activities at the Academic Division, Health System, and College at Wise. The ERM function will work closely with the Audit and Compliance functions. Efficiencies are gained through collaboration among the three functions, including:

- Linking work across enterprise risk, audit, and compliance functions
- Sharing available resources and knowledge
- Aligning planning and operational efforts

This collaboration is accomplished while recognizing the distinct roles played by each party. Treasury is responsible for leading ERM within the organization. Compliance is responsible for monitoring and promoting adherence to laws and regulations. Internal Audit is responsible, in part, for examining and evaluating the adequacy and effectiveness of the University’s governance, risk management, and internal controls.

III. Objectives

In support of the ERM program's purpose, the objectives of the program include:

- Creating a framework to effectively identify, assess, and manage risk
- Ensuring appropriate ownership and accountability of risks
- Promoting communication and collaboration among risk management activities
- Providing senior leaders with key information to make risk-informed decisions and to effectively allocate resources
- Incorporating risk in strategic decision making

IV. Roles and Organization

The President of the University is the owner of the ERM program. Responsibility for administering the program is delegated to the University's Treasurer. ERM is effected by the University's Board and leadership and is a collaborative effort at various levels of the organization, including:

Risk Management Networks

Risk Management Networks ("RMN's") exist for both the Academic Division and the Health System. Membership consists of higher-level individuals who can (1) provide perspective on industry trends, and (2) have a deep understanding of University operations. Their role is to help identify emerging risks and cascade ERM initiatives into the University's departments.

Risk Management Council

The Risk Management Council ("RMC") is comprised of representatives from the major functional areas of the University, including the Health System. The RMC's objectives are to provide guidance and expertise in helping steer the efforts of the ERM program.

University Executive Leadership

The RMC will review key risks and mitigation strategies with the University's executive leadership. Executive leadership will help set the University's risk appetite, contribute to the assessment of risks, and provide guidance on how to report key risks to the ACR.

The Board of Visitors' Audit, Compliance, and Risk ("ACR") Committee

The ACR Committee will:

- Approve the Enterprise Risk Management Charter
- Understand the University's ERM philosophy and approach
- Provide feedback to improve the effectiveness of the ERM program

- Review the institution’s risk governance framework including the risk assessment and mitigation strategies.
- Make appropriate inquiries of management and the Treasurer to determine whether all ERM efforts have the necessary resources and direction to be as effective as possible.

The Treasurer will communicate and interact directly with the Chair of the ACR committee, including in executive sessions and between ACR committee meetings as appropriate.

V. Charter Review

The ERM Charter should be annually reviewed and, if necessary, updated to determine if the charter continues to reflect the institution’s risk management priorities.

ACTION REQUIRED: Approval by the Audit, Compliance, and Risk Committee and by the Board of Visitors.

REVISED ENTERPRISE RISK MANAGEMENT CHARTER

WHEREAS, the Board of Visitors originally approved the University’s Enterprise Risk Management (“ERM”) charter in February 2016; and

WHEREAS, the ERM charter is periodically reviewed to determine necessary updates; and

WHEREAS, changes and enhancements have been made to the ERM program since the ERM charter was first adopted by the Board in February 2016;

RESOLVED, the Board of Visitors approves the revised ERM Charter as recommended by the Audit, Compliance, and Risk Committee.

II.B. Athletics Compliance Charter

UNIVERSITY OF VIRGINIA ATHLETICS COMPLIANCE CHARTER

The University of Virginia (the “University”) Athletics Compliance Office is designed to ensure that the intercollegiate athletics program is operated within the rules and regulations of the University, the Atlantic Coast Conference (ACC), and the National Collegiate Athletic Association (NCAA). Compliance with these rules and regulations is the shared responsibility of everyone associated with the University. In order for institutional control to be maintained, the NCAA Committee on Infractions developed principles with the idea of assisting institutions to better understand the efforts and attitudes needed in order to create an atmosphere of compliance and institutional control.

As stipulated by NCAA Bylaw 6.1.1 and requirement for participation within the ACC as indicated in Article XI, Section XI-2 of the ACC Bylaws, the ultimate authority and accountability for the University athletics program rests with the University President. The President is appointed by the University Board of Visitors, and through the Board's delegation of authority the President has ultimate responsibility for the Athletics Department. To share in the responsibilities of NCAA and ACC oversight, the University President delegates day-to-day administration of the University Athletics Department to the Director of Athletics, who in-turn shares that responsibility with the Athletics Compliance Office. In fulfilling the obligation to exercise institutional control, the Athletics Compliance Office has a direct reporting line to the Director of Athletics and to the University President. The University Athletics Compliance Program will interface with student-athletes, coaches, athletic staff members, other University personnel, as well as the University's alumni and friends. The Athletics Compliance Office will assist coaches and staff by developing and maintaining a compliance program that will educate, monitor, interpret, and report rules violations, if they occur.

As mentioned above, Compliance is a shared responsibility within the University. To ensure the University maintains institutional control and full compliance with applicable rules, departments outside of the Athletics Department have responsibility for certain NCAA, ACC, and University compliance functions, as outlined below:

Faculty Athletics Representative (FAR): The FAR serves as a liaison for the President between the University Faculty and the Athletics Department; reviews student-athlete grade distribution at the end of each academic term; reviews and approves student-athlete grade changes; serves as the ACC's voting representative for institutional positioning on NCAA/ACC legislation, and may serve the same role for the NCAA's voting representative if need be as directed by the President; and assists in review of potential academic misconduct/impermissible academic assistance allegations/violations.

Admissions: The Office of Undergraduate Admission has ultimate responsibility to determine which prospective student-athletes are admitted to the University. The Athletics Department will have designated liaisons who may speak with Admission regarding a prospective student-athlete's admission.

University Registrar (UREG): The University Registrar is the certifying officer for all student-athlete academic eligibility, including initial, continuing, and transfer eligibility certification; full-time enrollment; and NCAA Academic Performance Review cohort review.

Student Financial Services (SFS): The SFS office is the certifying officer for student-athlete financial aid; responsible for squad list production/completion; outside award certification; and athletic aid renewal/non-renewal notifications.

Athletic Academic Affairs: The Athletic Academic Affairs office collaboratively works with UREG and the Athletics Compliance Office to monitor student-athlete eligibility; and communicates with faculty and staff regarding student-athletes' academic requirements for

NCAA academic purposes since only academic advisors within the University departments can add student-athletes to courses.

Institutional Assessment and Studies: The Office of Institutional Assessment and Studies is responsible for tracking and reporting graduation rate and Graduation Success Rate cohort review.

Executive Vice President and Chief Operating Officer and Assistant Vice President for Institutional Compliance: During quarterly meetings with the Executive Vice President and Chief Operating Officer, the Assistant Vice President for Institutional Compliance, and the University President’s Chief of Staff, the Athletics Compliance Office reviews any compliance concerns, reporting requirements, potential violations, and the results of any external compliance reviews. In addition, the Athletics Compliance Office meets bimonthly with the University’s Compliance Network to share compliance-related concerns, trends, and best-practices.

ACTION REQUIRED: Approval by the Audit, Compliance, and Risk Committee and by the Board of Visitors

ATHLETICS COMPLIANCE CHARTER

WHEREAS, the University President is appointed by the Board of Visitors, and through the Board’s delegation of authority, the President has ultimate responsibility and accountability for the Athletics Department; and

WHEREAS, the Athletics Department is responsible for ensuring the intercollegiate athletics program is operated within the rules and regulations of the University, the Atlantic Coast Conference (ACC), and the National Collegiate Athletic Association (NCAA); and

WHEREAS, compliance with these rules and regulations is the shared responsibility of everyone associated with the University, as documented in the Athletics Compliance Charter;

RESOLVED, the Board of Visitors approves the Athletics Compliance Charter as recommended by the Audit, Compliance, and Risk Committee.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 14, 2017

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.A. Auditor of Public Accounts (APA) Audit Entrance Meeting for Fiscal Year 2017

ACTION REQUIRED: None

BACKGROUND: The APA meets with the Audit, Compliance, and Risk Committee as an initial step in the completion of the University’s annual financial statement audit. Ms. Martha S. Mavredes is the Auditor of Public Accounts, the legislative auditor for the Commonwealth of Virginia. She will highlight the work of the APA during the current audit. This does not require formal action, but is information of which the Board should be made aware.

Ms. Mavredes previously served as the Deputy Auditor of Public Accounts and as an Audit Director. Prior to joining the APA in 1984, she worked at Peat, Marwick, Mitchell & Co. (now KPMG) on local government and banking audits. She is a member of the Commonwealth’s Debt Capacity Advisory Committee, the State Compensation Board, and the Department of Alcoholic Beverage Control Advisory Committee, and is a nonvoting ex officio member of both the Joint Legislative Audit and Review Commission and the Joint Commission on Transportation Accountability.

Ms. Mavredes is an active participant in the National State Auditors Association (NSAA) serving on multiple committees and as team member, team leader and concurring reviewer in the NSAA Peer Review Program. She currently chairs the NSAA Single Audit Committee. Martha is also a member of the Virginia Society of CPAs (VSCPA), where she has served on the Board and on numerous committees and a member of the American Institute of CPAs (AICPA) where she is past chair of the Government Performance and Accountability Committee and currently serves on Council.

She graduated with a Bachelor Degree of Business Administration from The College of William and Mary and received her Master Degree of Business Administration from Virginia Commonwealth University. She also attended the Virginia Executive Institute, a management training program for state executives.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

<u>BOARD MEETING:</u>	September 14, 2017
<u>COMMITTEE:</u>	Audit, Compliance, and Risk
<u>AGENDA ITEM:</u>	III.B. Enterprise Risk Management Program Goals for FY 2018
<u>ACTION REQUIRED:</u>	None

BACKGROUND: In FY 2017, a number of significant milestones were achieved in advancing the University's ERM program, including:

- building a network of individuals across the University to support the ERM effort,
- onboarding the Health System into the ERM program, and
- creating new key risk lists for the Academic Division and Health System.

Additionally, the ERM program was repositioned to (1) shift the focus of the program toward enabling strategic goals through the identification of strategic risks and opportunities; (2) align the annual ERM cycle with the planning and audit cycles; and (3) better engage management in taking an active role in the process and providing them with the tools and language necessary to better manage institutional risks.

DISCUSSION: Below are the Enterprise Risk Management program goals identified by Mr. James S. Matteo, Associate Vice President and Treasurer, for FY 2018.

- Expand dialogue around key risks – engage BOV members in a more robust discussion of risk
- Update key risk lists considering emerging risks and opportunities – utilize the risk management network to update the key risk lists, focus on enabling measured risk taking in pursuit of opportunities
- Strengthen alignment of timelines among ERM, Audit, and BOV reporting – better align annual ERM activities with audit and Board reporting schedules
- Strengthen risk mitigation plans – improve the key risk management plans developed over the past year

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 14, 2017

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: III.C. Cost of Compliance Study Results

BACKGROUND: Mr. Gary S. Nimax, Assistant Vice President for Compliance, will report on recent inquiries into how much the University spends to comply with federal requirements. He also will provide the results of the estimate the University prepared to calculate the overall cost to comply with various federal, state, and other regulatory requirements and to consider how the cost of compliance has changed over the last 10 years.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 14, 2017

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: IV.A. UVA Compliance Accomplishments for FY 2017
(Written Report)

ACTION REQUIRED: None

BACKGROUND: Below are the institutional compliance accomplishments identified by Mr. Gary Nimax for FY 2017.

**Compliance Accomplishments
Fiscal Year 2016-17**

1. Completed the search for the medical center’s new Compliance and Privacy Officer, with Regina Verde starting in the position and reporting jointly to Pam Sutton-Wallace and Gary Nimax.
2. Developed a methodology to define and estimate the university’s cost of compliance with all federal, state, and regulatory compliance. Compiled and analyzed the data to share results with the BOV at its September 2017 meeting.
3. Launched a new compliance website, <http://compliance.virginia.edu>, furthering the University's efforts to promote adherence to all laws, regulations, and policies.
4. Updated the institutional compliance policy to clarify the duties of the Assistant VP for Compliance and compliance officers, plus updated the Federal Sentencing Guidelines language to be consistent with the Compliance Charter.
5. Continued best practices research, most notably as one of the founding members of the new University Compliance Leadership Group to share best practices with the compliance officers from 25 other top-tier universities.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 14, 2017

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: IV.B. Medical Center Compliance Accomplishments for FY 2017 (Written Report)

BACKGROUND: Below are the institutional compliance accomplishments identified by Ms. Regina Verde, Corporate Compliance & Privacy Officer, for FY 2017.

**Compliance Accomplishments
Fiscal Year 2016-17**

1. The new Chief Corporate Compliance and Privacy Officer, Regina Verde, on-boarded mid-January 2017. Subsequent to her arrival, three Compliance and Privacy Office staff positions have been filled and innovative goals established to create an interactive and collaborative compliance function in support of medical center and health system operations.
2. The Compliance and Privacy Office received, responded to, investigated and documented resolution of 557 compliance-related reports; the Office also ensured and documented the appropriate corrective actions undertaken to mitigate each issue, and completed all regulatory reporting as required.
3. The Office conducted 37 health system-wide site audits to review and document HIPAA Privacy compliance and provide consultative resources to operational areas; there were no outstanding findings and corrective actions were implemented as appropriate.
4. The Office completed five billing, coding, and documentation audits on various risk areas determined via the Office of Inspector General Work Plan, known regulatory changes, and identified trends in health system operations; no outstanding or financial findings.
5. The Office updated the compliance training materials delivered live to all new hires; also reviewed and updated the new hire and annual compliance training computer-based training modules. Additionally, the Office has initiated a goal of providing issue-based live on-site compliance training and reinforcement to team members in operational areas, resulting in an increase in compliance visibility and team member application of compliance to their work areas; a total of 21 live training sessions were conducted.

**UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY**

BOARD MEETING: September 14, 2017

COMMITTEE: Audit, Compliance, and Risk

AGENDA ITEM: IV.C. UVA Audit Department Status and FY 2017 Final Scorecard (Written Report)

BACKGROUND: Ms. Carolyn D. Saint, Chief Audit Executive, provided an update on management’s action plans to remediate prior audit findings, a summary of current audit projects in flight, and the department’s value charter scorecard documenting achievement of performance metrics established for the fiscal year 2017.

ACTION REQUIRED: None

STATUS OF MANAGEMENT’S ACTIONS TO REMEDIATE PRIOR AUDIT FINDINGS:

- All Priority 1 and Priority 2 findings with action plan due dates prior to August 1, 2017 have been remediated and closed.

CURRENT ACTIVITIES:

Audit Project Topic	UVA Line of Business	Project Stage
Undergraduate Safety in Labs, Studios, and Shops*	Education	Planning
Foundation Relationship Assessment*	Education	Consultation w/ Treasurer’s Office
Institutional Base Salary *	Research	Planning
Medical Devices: Procurement and Security	Clinical Care	Planning
Strategic Investment Fund Monitoring	Education and Research	Advisor to Post-Award Assessment Team
Safety and Security Review*	All	Project Liaison to Margolis Healy

*Work is being performed at the direction of UVA General Counsel’s office under the attorney-client privilege



Audit Department Value Scorecard – Fiscal Year 2017

<i>Metric</i>	<i>Target</i>	<i>Current Status</i>	<i>Comments</i>
Leadership and Relationship Acumen: Internal Team			
Team Participation in "Introduction to Transactional Competence" Training Program	100%		All staff received training led by Influence Ecology
Training Hours per Auditor in "Differentiator" Competencies	20 Hours		Differentiator competencies include leadership and emotional intelligence
Leadership and Relationship Acumen: External Stakeholders			
Audit Satisfaction Scores	Above Average		Audit satisfaction survey measures: <ul style="list-style-type: none"> • Did we meet our commitments? • Were we mindful of your priorities? • Would you recommend us to others?
Collaboration on Cross Functional Projects	3 Per Year		Collaborative projects included: <ul style="list-style-type: none"> • Identity and Access Management • Security Oversight Committee • University Business Intelligence • Portfolio Review Committee
Industry and Technical Competence			
Training Hours per Auditor Earned on Priority Skills	20 Hours		COSO Internal Controls Certification training provided to all staff in January 2017
Active Participation in Professional Associations	1 Per Auditor		All audit staff participated in the annual College and University Auditors of Virginia Conference held in April 2017.
Efficient and Effective Audit Process			
Staff Utilization	80%		For Fiscal Year 2017, staff utilization was 88%.



Audit Department Value Scorecard – Fiscal Year 2017 *continued*

<i>Metric</i>	<i>Target</i>	<i>Current Status</i>	<i>Comments</i>
Actual Hours to Budget Hours Variance by Audit Project	10% or Less		Standard budget hours metric for audit projects is under development.
Audit Plan Relevance to Risks That Matter Most			
Audit Plan Resources Dedicated to Higher or Emerging Risk Areas	75%		For Fiscal Year 2017, we dedicated 79% of our resources to higher risk areas.