



THE RECTOR AND VISITORS OF THE
UNIVERSITY OF VIRGINIA

December 5, 2019

MEMORANDUM

TO: The Audit, Compliance, and Risk Committee:

Babur B. Lateef, M.D., Chair
Thomas A. DePasquale, Vice Chair
Robert M. Blue
Mark T. Bowles
L. D. Britt, M.D.
Barbara J. Fried
Louis S. Haddad
James B. Murray Jr, Ex Officio
Adelaide Wilcox King, Faculty Consulting Member

and

The Remaining Members of the Board:

Whittington W. Clement	Angela Hucles Mangano
Frank M. Conner III	C. Evans Poston Jr.
Elizabeth M. Cranwell	James V. Reyes
John A. Griffin	Peter C. Brunjes, Faculty Member
Robert D. Hardie	Derrick Wang, Student Member
Maurice A. Jones	

FROM: Susan G. Harris

SUBJECT: Minutes of the Meeting of the Audit, Compliance, and Risk Committee on December 5, 2019

The Audit, Compliance, and Risk Committee of the Board of Visitors of the University of Virginia met, in Open Session, at 1:55 p.m., on Thursday, December 5, 2019, in the Board Room of the Rotunda. Dr. Babur B. Lateef, Chair, presided.

Present: James B. Murray Jr, Thomas A. DePasquale, Robert M. Blue, Mark T. Bowles, Barbara J. Fried, Louis S. Haddad, and Adelaide Wilcox King

Absent: L. D. Britt, M.D.

Whittington W. Clement, Elizabeth M. Cranwell, John A. Griffin, Robert D. Hardie, Maurice A. Jones, C. Evans Poston Jr., Peter C. Brunjes, and Derrick Wang also were present.

Present as well were James E. Ryan, Jennifer Wagner Davis, M. Elizabeth Magill, Margaret S. Grundy, Susan G. Harris, Timothy J. Heaphy, W. Thomas Leback, David W. Martel, Debra D. Rinker and Carolyn D. Saint.

Melody S. Bianchetto, Gary S Nimax, and Eric Sandridge were the presenters.

Dr. Lateef opened the meeting and gave the floor to Ms. Bianchetto.

Action Item: Auditor of Public Accounts Audit and Management Report for FY 2018-2019

Before introducing Mr. Eric Sandridge, Director of Higher Education Programs for the Virginia Auditor of Accounts, Ms. Bianchetto provided highlights from the University's audited financial report. The University's net financial position is \$8.9B, which is a \$350M increase over the prior year. The endowment's long-term assets remain at \$7.5B. Market performance was 5.8%. She thanked Mr. Thomas Schneeberger, the University's Director of Financial Reporting, for his role in the audit and introduced Mr. A. Leigh "Augie" Maurelli, the University's new Assistant Vice President for Finance.

Mr. Sandridge said his department has issued an unmodified opinion on the FY 2019 financial statements for the Academic Division, the Medical Center, and the College at Wise. It will issue a separate opinion on the Medical Center's financial statement. While the main objective of the audit process was to review the financial statements, it also considered internal controls and compliance matters that could have a material impact on the statements. A separate report for these two areas has been issued.

The audit concurs with management's application of accounting principles. It found that the basis for accounting estimates were consistent and reasonable. There were no significant changes to accounting and reporting policies. There were no alternative accounting treatments or unusual accounting transactions. There were no disagreements with management about any auditing, accounting, or disclosure matters. The audit did not find any indication of fraud.

Mr. Sandridge said there were updates on two recommendations from last year's report where work is still in progress. The first was the Academic Division's security awareness training program. The recommendation was to align University policy with the University security standards that require employees receive security training. The University needs to define the requirements for those individuals who do not need the full training. Progress has been made, but controls are needed. The second recommendation dealt with the segregation of duties for patient accounting, billing, and management systems. The Medical Center has spent significant time on this issue, but the audit did not see any evidence of it being operational. A follow-up on these recommendations will be part of the FY 2020 audit. Mr. Sandridge expects them to be cleared.

The audit also focused on the implementation of the new payroll and HR system. Several issues were identified. The first related to the segregation of duties, and the University has started addressing this issue. The others were related to the reconciliation of the HR system with the Commonwealth's retirement benefits system and to the prompt termination of access to the Commonwealth's retirement system for individuals who have left the University.

This is the first year the audit included a review related to the State's Conflict of Interest (CIO) act, which requires employees to complete a COI form prior to the beginning of employment and to receive training at required intervals. The audit found some individuals had not completed CIO forms prior to the start of work and found instances where training was not being done. The audit recommends adoption of a process to make sure the CIO requirements are implemented.

The auditors recommend the Academic Division review its time sheet approval process, which requires supervisors to approve the timesheets for their wage employees. In cases where a supervisor fails to approve a timesheet, a mass approval process ensures the employee gets paid. An email is then sent to the supervisor indicating the employee has been paid and asking if this is a problem. The auditors recommend the use of a positive confirmation process where the supervisor must indicate that the submitted hours were authorized.

The auditors had a few adjustments to the financial statements. The Medical Center had to make an adjustment to retirement payments that had been made but were not recorded in the general ledger. This was the result of a reconciliation issue between the Medical Center and the Academic Division. The audit noted a reclassification of \$8M in SEED funds provided to the UVA Licensing and Ventures Group for start-up companies. This was based on a technicality in accounting standards over what can and can not be called an investment and how it is valued. There was an issue with the agreement for the Global Genomics and Bioinformatics Research Institute. Joint venture standards proscribe specific information to recognize a joint venture with an equity interest. The auditors do not believe the current agreement has sufficient information to recognize an equity interest and recommend the agreement be amended.

On motion, the committee approved the following resolution and recommended it for full Board approval:

AUDITOR OF PUBLIC ACCOUNTS' FINDINGS FOR FY 2018-2019

RESOLVED, the Auditor of Public Accounts' Findings for FY 2018-2019, are approved as recommended by the Audit, Compliance, and Risk Committee.

Action Item: UVA Code of Ethics for Faculty and Staff in the Academic Division

Dr. Lateef introduced Mr. Gary Nimax, Assistant Vice President for Compliance. Mr. Nimax said the University recently completed a review of the Academic Division's Code of Ethics, which had been approved by the Board in 2004. He explained that a code of ethics is considered a best practice and the Commonwealth's Agency Risk Management and Internal Control Standards state that agencies should communicate their core values through a code of ethics or similar document.

The review process included input from the University's internal compliance network, a best practices review using a consulting firm, and a review of similar documents at peer institutions. The consensus was that the code covered key concepts but needed to be improved for readability and updated to include additional items. Given this input and realizing that new employees are asked to read the code during their orientation, it was decided to create an easy-to-read one-page document.

The code as developed is a broad overview of what is important to the University. It is an aspirational document and is not a code of conduct. It is supported by University policies with each

item in the code having one or more policies that tie back to it. The document has been reviewed by the Faculty Senate, the Staff Senate, University Counsel, and senior leadership.

On motion, the committee approved the following resolution and recommended it for full Board approval:

UNIVERSITY OF VIRGINIA CODE OF ETHICS FOR FACULTY AND STAFF IN THE ACADEMIC DIVISION

RESOLVED, the University of Virginia Code of Ethics, dated December 5, 2019 and attached to this resolution, is approved as recommended by the Audit, Compliance, and Risk Committee; and

RESOLVED FURTHER, the December 5, 2019 Code of Ethics supersedes and replaces in its entirety the University of Virginia Code of Ethics approved by the Board of Visitors in 2004.

Enterprise Risk Management Program Report

Ms. Bianchetto said the University will begin a comprehensive review of the risk management program. This will include an assessment of the identified risks and their ownership assignments, stakeholders, and the process for identifying and monitoring key risks. A status report will be presented at the June meeting. Dr. Lateef said risk management was one of the committee's most important responsibilities.

Dr. Lateef referenced the written reports in the meeting materials.

The chair adjourned the meeting at 2:23 p.m.

SGH:wtl

These minutes have been posted to the University of Virginia's Board of Visitors website:
<http://bov.virginia.edu/committees/181>

UVA Code of Ethics for Faculty and Staff in the Academic Division (2019)

1. **Compliance and Ethics:** We perform our responsibilities ethically and honestly, in compliance with all University policies and applicable federal, state, and local laws.
2. **Use of University Resources:** We use University resources only for their intended business purpose, as aligned with the University's mission. We promote accurate financial reporting, protection of the University's assets, and responsible fiscal management. Our expenditures are reasonable and necessary.
3. **Conflicts of Interest:** We uphold our primary professional responsibilities to the University and the Commonwealth of Virginia, and actively avoid and report all actual, potential, and perceived conflicts of interest.
4. **Gifts and Gratuities:** We perform our public duties without accepting, soliciting or offering anything of economic value such as gifts, gratuities, favors, or benefits that may improperly influence our professional judgment or seek to influence the judgment of others.
5. **Confidentiality:** We preserve the confidentiality and security of University records and we protect the privacy of individuals who provide personal information to the University. We access information only as necessary and disclose information only to those individuals with a legitimate reason to receive it.
6. **Equal Opportunity:** We promote an inclusive and welcoming community that respects the rights, abilities, and opinions of all people. We value equal opportunity and diversity. We do not tolerate discrimination or harassment of any kind.
7. **Respectful Workplace:** We treat every individual with kindness, dignity and respect, regardless of position or status. We provide a safe and healthy environment for working, living, and learning. We collaborate with others in a positive and respectful manner.
8. **Honesty and Integrity:** We act and communicate honestly and with integrity, upholding the University's values at all times. We do not condone dishonesty by anyone in any form, including fraud, theft, cheating, plagiarism or lying.
9. **Reporting Without Fear of Retaliation:** We report all violations of law or University policy, without fear of retaliation for reports made in good faith. We investigate all concerns and determine corrective action. We will cooperate with all investigations into suspected wrongdoing.