

COMMITTEE ON AUDIT AND COMPLIANCE
November 28, 2012
3:30 – 5:00 p.m.
Board Conference Room - Blow Memorial Hall

John C. Thomas, Chair
Michael Tang, Vice Chair

- I. Introductory Remarks - Mr. Thomas
- II. Approval of Minutes - September 20, 2012
- III. Report from the Auditor of Public Accounts
- IV. Report from Director of Internal Audit - Michael L. Stump
 - A. Report of Internal Audit Activity Since September 20, 2012 - Enclosure F.
 - B. Approval of 2013 Internal Audit Work Plan - **Resolution 5**.
 - C. Repeal of the Code of Conduct Governing Student Loan Practices – **Resolution 6**.
- V. Report from Compliance and Policy Officer – Kiersten L. Boyce
- VI. Closed Session (if necessary)
- VII. Open Session - Certification of Closed Session **Resolution**
- VIII. Discussion
- IX. Adjourn

COMMITTEE ON AUDIT AND COMPLIANCE

MINUTES – SEPTEMBER 20, 2012

MINUTES
Committee on Audit and Compliance
September 20, 2012
Board Conference Room - Blow Memorial Hall

Attendees: John C. Thomas, Chair; Michael Tang, Vice Chair; John E. Littel; and Leigh A. Pence. Board members present: Rector Jeffrey B. Trammell; Kendrick F. Ashton, Jr.; Ann Green Baise; and Dennis H. Liberson. From the Auditor of Public Accounts: Laurie Hicks. Others present: Kiersten L. Boyce; Edmund A. Brummer, III; Courtney M. Carpenter; Donald R. Challis; Katherine Chiglinski; Michael J. Fox; Michael R. Halleran; Gina L. Hoatson; Samuel E. Jones; Jennifer B. Latour; Deborah A. Love; Anna B. Martin; Beverly Morris; Suzanne Raitt; Michael L. Stump; President Debbie L. Sydow; Sherree T. Walker; and Brian W. Whitson

Chair John C. Thomas called the meeting to order at 7:45 a.m. and, recognizing that with the presence of the Rector a quorum was present, asked for a motion to approve the minutes of the April 25, 2012, meeting. Motion was made by Mr. Tang, seconded by Mr. Littel and approved by voice vote.

Mr. Thomas introduced Laurie Hicks, from the Auditor of Public Accounts (APA), to the Committee. He informed the Committee that the audit report was late this year. Ms. Hicks explained that the audit report was delayed while the APA sorted out issues involving capital and operating leases involving Richard Bland College and the Richard Bland College Foundation. Ms. Hicks stated that the audit report is usually completed by the April following the end of the fiscal year. There were no instances of fraud and the financial statements were accurate. Mr. Thomas thanked Ms. Hicks for her efforts and asked her to contact him if she had any concerns during the next audit.

Mr. Thomas moved that, pursuant to Section 2.2-3711.A.1 and 7 of the Code of Virginia, the meeting be closed to discuss personnel matters pertaining to specific personnel and for briefings by legal counsel or staff members pertaining to specific legal matters. Motion was seconded by Mr. Tang and approved by voice vote. Observers were asked to leave the room and the Committee went into closed session at 7:53 a.m.

The Committee reconvened in open session at 8:21 a.m. Mr. Thomas reviewed the topics discussed in the closed session and moved the adoption of the **Resolution** certifying the closed session was held in accordance with the Freedom of Information Act. Motion was seconded by Mr. Tang and approved by roll call vote conducted by Mr. Thomas (Certification **Resolution** is appended.)

Mr. Thomas asked Mr. Stump for his report. Mr. Stump informed the Committee that Cherice Carlos, one of the office's three senior auditors, is now a Certified Fraud Examiner (CFE). His office completed six audit projects, involving procurement, contracting authority, clearance controls over departing employees, and procurement and small purchase credit cards at Richard Bland College. Eight projects were in process, including security reviews of the data centers.

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Mr. Thomas informed the Committee of its new name: Audit and Compliance. The Committee's oversight now includes risk management, safety, and security – in addition to audit and compliance. He briefly discussed the Freeh Report and informed the Committee that the College is ahead of many of the issues documented in the Report.

Mr. Thomas asked Ms. Boyce for her report. Ms. Boyce reviewed the status of her implementation plans and reviewed the report she gave the Audit Committee during the April meeting. She briefed the Committee on her assessment of the College's controls for preventing, detecting, and remediating sexual abuse of minors and summarized her recommendations. The Committee discussed the reporting requirements of the Clery Act.

Mr. Thomas asked Ms. Boyce about her upcoming compliance exam. She described the Society of Corporate Compliance and Ethics and its certification, the CCEP. Ms. Boyce plans to attend the Society's meeting in October 2012.

Mr. Thomas asked Ms. Boyce about her staffing. Ms. Boyce explained that one key recommendation of the Freeh Report is to staff the Compliance Office similarly to the Internal Audit Office. This has not been done; however, efforts to increase office efficiency are underway.

Ms. Boyce discussed the draft sexual harassment policy she completed and the new on-line process for review of draft policies. She informed the Committee that a review of the College's background check policy is underway. Approximately half of the College's employees have not undergone background checks. The Committee stressed the importance of background checks.

Ms. Boyce discussed her efforts to establish a hotline for reporting, including anonymous reporting, of suspected misconduct, policy violations, and unethical or illegal behavior. The hotline would be managed by a third party and promoted to the campus community, along with other mechanisms for reporting misconduct.

Ms. Boyce explained that the College is improving compliance with the Clery Act's requirement to collect certain crime information by identifying CSAs (Campus Security Authorities) and ensuring CSAs understand their obligations. A brief discussion ensued.

Ms. Boyce explained that the Freeh Report recommends that the Board be briefed on internal investigations – a practice already in place. To date, there have been three completed investigations. The hotline will likely increase the number of investigations. Ms. Boyce is reviewing the Faculty Handbook's investigation procedures in order to reduce the time required for investigations of instructional faculty.

Mr. Thomas thanked Ms. Boyce for her report and efforts and asked Ms. Martin for her report.

Ms. Martin informed the Committee that the College was successful in obtaining a \$210,000 grant, which includes \$10,000 of contributed staff time, to fund the development of the College's

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Multi-Campus Hazard Mitigation Plan. The Plan will include the main (Williamsburg) campus, VIMS, the Peninsula Center, and the DC office and help ensure the safety of students, faculty, staff, and visitors by minimizing hazards to physical assets and operations. The Plan will evaluate vulnerabilities and include mitigation strategies (some of these strategies may be eligible for future federal and state grants) that eliminate or reduce vulnerabilities as defined by FEMA and the Commonwealth.

At Mr. Littel's request, Ms. Martin will provide the Committee with the risk management presentation she referenced in her remarks.

There being no further business, the Committee adjourned at 9:16 a.m.

September 20, 2012

CERTIFICATION OF CLOSED SESSION

WHEREAS, the Board of Visitors Committee on Audit has convened a closed session on this date pursuant to an affirmative recorded vote and in accordance with the provisions of The Virginia Freedom of Information Act; and

WHEREAS, §2.2-3712.D. of the Code of Virginia requires a certification by this Committee that such closed session was conducted in conformity with Virginia law;

NOW, THEREFORE, BE IT RESOLVED, That the Committee on Audit, reconvening in open session, 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 to which this certification applies, and (ii) only such public business matters as were identified in the motion convening the closed session were heard, discussed or considered by the Committee on Audit.

VOTE

AYES: 4

NAYS: 0

ABSENT DURING CLOSED SESSION:


John C. Thomas
Chair
Committee on Audit

COLLEGE OF WILLIAM AND MARY and RICHARD BLAND COLLEGE
 REPORT OF INTERNAL AUDIT ACTIVITY SINCE SEPTEMBER 20, 2012

<u>Projects</u>	<u>Completion Date</u>
• Hotline investigation (RBC)	Sept 24
• Hotline investigation (WM)	Oct 10
• Hotline investigation (RBC)	Oct 24

<u>Projects in process</u>	<u>Estimated Completion Date</u>
• Assist Auditor of Public Accounts	Ongoing
• Centralized billing and VA benefits – management request	Ongoing
• Data centers review	Dec 2013
• EVMS financial evaluation	Ongoing
• Highland – Judge Thomas' request	Feb 2013
• President's Business Innovation Comm – President's request	Ongoing
• President's discretionary funds	Dec 2013
• Risk Management Steering Committee – management request	Ongoing
• Small Purchase Charge Card Program	Ongoing
• VIMS Shellfish Pathology Lab controls – management request	Feb 2013

COLLEGE OF WILLIAM AND MARY
APPROVAL OF 2013 INTERNAL AUDIT WORK PLAN

As provided in the Office of Internal Audit Charter, the Director is responsible for preparing comprehensive work plans based upon his judgment and a risk assessment model.

The proposed 2013 Work Plan for the Office of Internal Audit includes the following areas; items *italicized* are management requests:

1. ARMICS – risk management and internal controls directive
2. Auditor of Public Accounts (APA) Support*
3. *Arts and Sciences - PBK ticket office and Theatre, Speech, and Dance – Dean Conley's request*
4. Board of Visitors' resolution/policy compilation and review
5. *Centralized billing and VA benefits – management request**
6. *EVMS – management request*
7. Fraud, Waste and Abuse Hotline; internal hotline and investigations*
8. *Highland - Judge Thomas' request*
9. *Human Resources (RBC) – President Sydow's request*
10. Personnel hiring and evaluation committees*
11. *President Reveley's Business Innovation Committee**
12. Related foundations*
13. *Risk Management Committee – management request**
14. Small purchase cards*
15. *Vendor create and modification process – management request**
16. *VIMS Analytical Services center - Dean Wells' request*
17. *VIMS Vessel Operations center - Dean Wells' request*
18. William and Mary Police Department - assist investigations*
19. Additional requests from the Board and management*

*Ongoing projects

The 2013 Work Plan has been reviewed by the Committee on Audit and Compliance and management of the College of William and Mary and Richard Bland College, and is hereby recommended to the Board of Visitors.

THEREFORE, BE IT RESOLVED, That the 2013 Work Plan for the Office of Internal Audit is approved by the Board of Visitors.

COLLEGE OF WILLIAM AND MARY
REPEAL OF THE CODE OF CONDUCT
GOVERNING STUDENT LOAN PRACTICES

In recognition of changes to the student loan process, in particular the shift of the administration of subsidized student loans from lending institutions such as banks to universities themselves via so-called "direct lending," the July 16, 2007, resolution adopted by the Board of Visitors regarding the adoption of a Code of Conduct Governing Student Loan Practices no longer serves its intended purpose. Lending institutions no longer may gain "preferred lender" status as referenced in the Code, the primary intent of which was to protect the integrity of that selection process.

Furthermore, the College's Code of Ethics, adopted by the Board of Visitors on April 17, 2009, and other policies administered by the Compliance and Policy Office cover the remaining parts of the adopted Code of Conduct.

THEREFORE, BE IT RESOLVED, That the Board of Visitors of the College of William and Mary repeals the Code of Conduct Governing Student Loan Practices and the compliance process it obligated, but affirms an ongoing commitment to the highest standard of ethics in conduct related to student loans and financial aid.