

COMMITTEE ON AUDIT AND COMPLIANCE

February 7, 2013

9:00 – 10:00 a.m.

Board Room - Blow Memorial Hall

John C. Thomas, Chair
Michael Tang, Vice Chair

- I. Introductory Remarks - Mr. Thomas
- II. Approval of Minutes – November 28, 2012
- III. Closed Session (if necessary)
- IV. Open Session - Certification of Closed Session **Resolution**
- V. Report from Director of Internal Audit - Michael L. Stump
 - A. Report of Internal Audit Activity Since November 28, 2012 - Enclosure M.
 - B. Revision of the Office of Internal Audit Charter – **Resolution 2**.
- VI. Report from Compliance and Policy Officer – Kiersten L. Boyce
 - A. Compliance Program Charter – **Resolution 3**.
- VII. Discussion
- VIII. Adjourn

COMMITTEE ON AUDIT AND COMPLIANCE

MINUTES – NOVEMBER 28, 2012

MINUTES
Committee on Audit and Compliance
November 28, 2012
Board Conference Room - Blow Memorial Hall

Attendees: John C. Thomas, Chair; Michael Tang, Vice Chair; and Leigh A. Pence. Board members present: Rector Jeffrey B. Trammell and Ann Green Baise. From the Auditor of Public Accounts: Laurie Hicks. Others present: Kiersten L. Boyce; Henry R. Broaddus; Courtney M. Carpenter; Robert P. Dillman; Michael J. Fox; Michael R. Halleran; Samuel E. Jones; Jennifer B. Latour; Deborah A. Love; Anna B. Martin; Beverly Morris; Michael L. Stump; and Brian W. Whitson

Chair John C. Thomas called the meeting to order at 3:30 p.m. and, recognizing that a quorum was present, asked for a motion to approve the minutes of the September 20, 2012, meeting. Motion was made by Mr. Tang, seconded by Ms. Pence and approved by voice vote of the Committee.

Mr. Thomas introduced Laurie Hicks. Ms. Hicks discussed the upcoming fiscal year 2012 audit and the required communications documents, which were distributed to the Committee. The Committee asked Ms. Hicks to explain the thresholds she used for audit work and how that affected work at Richard Bland College. Ms. Hicks explained that the thresholds are determined as part of audit planning and that some work would be performed at Richard Bland. Mr. Thomas thanked Ms. Hicks for her efforts and asked her to contact him if she had any concerns during the next audit.

Mr. Stump presented the proposed 2013 Internal Audit Work Plan, as detailed in **Resolution 5**. Following discussion, Ms. Pence moved adoption of **Resolution 5**, Approval of 2013 Internal Audit Work Plan. Motion was seconded by Mr. Tang and approved by voice vote of the Committee.

Mr. Broaddus presented the Repeal of the Code of Conduct Governing Student Loan Practices, as detailed in **Resolution 6**. Following discussion, Ms. Pence moved adoption of **Resolution 6**, Repeal of the Code of Conduct Governing Student Loan Practices. Motion was seconded by Mr. Tang and approved by voice vote of the Committee.

Mr. Thomas moved that the Committee on Audit and Compliance of the Board of Visitors of the College of William and Mary convene in Closed Session for the purpose of discussing personnel matters pertaining to specific personnel, briefings by legal counsel or staff members pertaining to specific legal matters, and discussion of reports or plans related to security of any College facility, building or structure, as provided for in Section 2.2-3711.A. 1., 7., and 19., of the Code of Virginia. 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 3:42 p.m.

The Committee reconvened in open session at 4:44 p.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

Committee on Audit and Compliance

MINUTES

Page 2

Mr. Tang and approved by roll call vote conducted by Mr. Thomas (Certification **Resolution** is appended.)

Mr. Thomas congratulated Ms. Boyce on the successful completion of the Corporate Compliance and Ethics Professional (CCEP) certification and asked Ms. Boyce for her report. Ms. Boyce gave the Committee an update on the College's controls for preventing, detecting, and remediating sexual abuse of minors. She informed the Committee that work continues on the sexual harassment policy and that the new on-line process for reviewing draft policies is working well. Ms. Boyce continues her efforts to ensure that College employees are aware of their reporting duties under the Clery Act and the Commonwealth's suspected child abuse law. She informed the Committee that her review of the College's background check policy continues.

Ms. Boyce hopes to fill the vacant position in her office within the next six months.

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

There being no further business, the Committee adjourned at 4:50 p.m.

November 28, 2012

CERTIFICATION OF CLOSED SESSION

WHEREAS, the Board of Visitors Committee on Audit and Compliance 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 and Compliance, 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 and Compliance

COLLEGE OF WILLIAM AND MARY and RICHARD BLAND COLLEGE
REPORT OF INTERNAL AUDIT ACTIVITY SINCE NOVEMBER 28, 2012

<u>Projects</u>	<u>Completion Date</u>
• VIMS Shellfish Pathology Lab controls – management request	Dec 6
• Data centers review	Dec 11
• President's discretionary funds	Jan 4

<u>Projects in process</u>	<u>Estimated Completion Date</u>
• Assist Auditor of Public Accounts	Ongoing
• BoV resolution compilation and analysis	April 2013
• Centralized billing and VA benefits – management request	Ongoing
• EVMS financial evaluation	Ongoing
• Highland – Judge Thomas' request	April 2013
• Hotline RBC	March 2013
• PBK Hall, Theatre & Speech – management request	June 2013
• President's Business Innovation Comm – President's request	Ongoing
• Risk Management Steering Committee – management request	Ongoing
• Small Purchase Charge Card Program	Ongoing
• Vendor create/modify controls – management request	April 2013
• VIMS/SMS Vessel Operations	Sept 2013

**COLLEGE OF WILLIAM AND MARY
REVISION OF THE OFFICE OF INTERNAL AUDIT CHARTER**

The Office of Internal Audit Charter was last revised at the February 2011 meeting of the Board of Visitors. It is appropriate to review such documents periodically.

The revised Office of Internal Audit Charter (attached) has been reviewed by the Chair of the Audit and Compliance Committee, the President and Vice President for Finance of the College of William and Mary, the President of Richard Bland College, and the Director of Internal Audit. The revisions address changes in the Board of Visitors *Bylaws* and various auditing standards.

The Audit and Compliance Committee also oversees the work of the College of William and Mary's Compliance Office. The Board of Visitors *Bylaws* will be amended to reflect this during the next revision of the *Bylaws*.

Proposed additions to the existing text are shown in ***bold italics***; proposed deletions are ~~struck through~~.

BE IT RESOLVED, That the Office of Internal Audit Charter is approved by the Board of Visitors as revised, effective immediately.

**THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA
AND RICHARD BLAND COLLEGE**

OFFICE OF INTERNAL AUDIT CHARTER

Article I, section 14 of the Board of Visitors Bylaws, revised November 30, 2012, states: The Committee on Audit ***and Compliance*** shall oversee the Office of Internal Audit, which is charged with the responsibility of auditing the College of William and Mary and Richard Bland College ***and shall consider and make recommendations on policy matters pertaining to campus safety and security and risk management.*** The Director of Internal Audit shall be directly responsible to the Committee on Audit ***and Compliance*** in the formation of an annual Audit Plan. The President of the College and the President of Richard Bland College may advise and consult with the Committee on any matter pertaining to internal auditing. The Committee shall perform an annual evaluation of the Director of Internal Audit during the Board's annual meeting for recommendation to the full Board.

Article II, section 10 of the Board of Visitors Bylaws, revised November 30, 2012, states: The Board of Visitors shall, on recommendation of the President of the College and the President of Richard Bland College, appoint a Director of Internal Audit. The Director of Internal Audit shall report directly to the Committee on Audit ***and Compliance*** and shall be responsible to the Committee for the administration and operation in the Office of Internal Audit and for the formation of an annual Audit Plan. The budget for and authorization of positions in the Office of Internal Audit shall be reviewed and approved by the Committee on Audit ***and Compliance.*** The Director of Internal Audit shall consult with the President of the College and the President of Richard Bland College in the administration and operation of the Office of Internal Audit. The Director of Internal Audit shall be evaluated annually by the Committee on Audit ***and Compliance*** during the Board's annual meeting for recommendation to the full Board.

Mission

The mission of the Office of Internal Audit is to support the respective missions of the College of William and Mary and Richard Bland College by providing auditing services to the Board of Visitors and the colleges. The mission statements follow:

The College of William and Mary, a public university in Williamsburg, Virginia, is the second-oldest institution of higher learning in the United States. Established in 1693 by British royal charter, William and Mary is proud of its role as the Alma Mater of generations of American patriots, leaders, and public servants. Now, in its fourth century, it continues this tradition of excellence by combining the best features of an undergraduate

college with the opportunities offered by a modern research university. Its moderate size, dedicated faculty, and distinctive history give William and Mary a unique character among public institutions, and create a learning environment that fosters close interaction among students and teachers.

The university's predominantly residential undergraduate program provides a broad liberal education in a stimulating academic environment enhanced by a talented and diverse student body. This nationally acclaimed undergraduate program is integrated with selected graduate and professional programs in five faculties — Arts and Sciences, Business, Education, Law, and Marine Science. Masters and doctoral programs in the humanities, the sciences, the social sciences, business, education, and law provide a wide variety of intellectual opportunities for students at both graduate and undergraduate levels.

At William and Mary, teaching, research, and public service are linked through programs designed to preserve, transmit, and expand knowledge. Effective teaching imparts knowledge and encourages the intellectual development of both student and teacher. Quality research supports the educational program by introducing students to the challenge and excitement of original discovery, and is a source of the knowledge and understanding needed for a better society. The university recognizes its special responsibility to the citizens of Virginia through public and community service to the Commonwealth as well as to national and international communities. Teaching, research, and public service are all integral parts of the mission of William and Mary.

Richard Bland College, of The College of William and Mary in Virginia was founded in 1960. It is The Junior College of the Commonwealth of Virginia. The College offers a traditional curriculum in the liberal arts and sciences leading to the associate degree, and other programs appropriate to a junior college. The curriculum is intended to allow students to acquire junior status upon transferring to a four-year college, or to pursue expanded career opportunities. The College also recognizes its responsibility to serve the public by providing educational and cultural opportunities for the community at large.

Overview Background

Audit and advisory reports are addressed to the Chair of the Committee on Audit **and Compliance** with copies to members of the Committee, the appropriate college president, and others directly impacted by audit findings. All reports are reviewed and signed by the Director. The Director also provides summarized reports to the Committee on Audit **and Compliance**. Whenever the Director learns of any manner of fraud, waste, or abuse of

Commonwealth or private resources, and any other matter deemed significant by the Director, he must promptly report such information to the **Chair of the Committee on Audit and Compliance**, presidents, and when appropriate, the **Inspector General**, Auditor of Public Accounts (APA), William and Mary Police, **or** and the State Police. The Director regularly consults with the presidents, provosts, deans, and vice presidents of the colleges. The Office shall have unrestricted access to all activities, properties, personnel, and records of the colleges to the fullest extent of the law. The Office retains and releases records in compliance with the Commonwealth's laws. Should the Director leave employment for any reason, the Committee on Audit **and Compliance** of the Board of Visitors will interview the departing Director.

Professional Auditing Standards and Statements

Internal auditing is an advisory function. **The Office** ~~We~~ objectively analyzes, reviews, and evaluates existing procedures and activities; reports on conditions found; and recommends actions for consideration. This includes an objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the colleges. **The Office's** ~~Our~~ work is completed with care, prudence, and professionalism. **The Office will** ~~We~~ report weak or missing controls, inefficiencies, fraud, illegal activities, or impediments to **the Office's** ~~our~~ work in accordance with the following:

- American Institute of Certified Public Accountants (AICPA) **pronouncements**
- Commonwealth of Virginia (CoV) **laws and regulations**
- Financial Accounting Standards Board (FASB) statements
- Generally Accepted Auditing Standards (GAAS) including Statements of Auditing Standards (SAS) and the Government Accountability Office's (GAO) Governmental Auditing Standards (Yellow Book)
- Governmental Accounting Standards Board (GASB) statements
- Institute of Internal Auditors (**IIA**) **pronouncements**

Audit and Advisory Services

Consulting: Provide consulting and advisory services as requested by the Board of Visitors, presidents, provosts, deans, and vice presidents of the colleges. Such services should improve the colleges' governance, risk management, and control processes - without the Office of Internal Audit assuming management responsibility.

Compliance: **In cooperation with the Office of Compliance**, ~~d~~Determine compliance with policies, procedures, laws and regulations established by the colleges, the Commonwealth, the Federal Government and **applicable** ~~certain~~ external bodies, ~~such as the National Collegiate Athletic Association (NCAA).~~

Financial: Audit internal control systems and financial transactions of the colleges, including capital projects.

Operational: ~~Provide an~~ **Evaluate** ~~evaluation of~~ operational efficiency and effectiveness in accordance with the goals and policies established by the colleges, Commonwealth, **and** ~~of~~ the Federal Government.

Technology: Evaluate the design, development, implementation, and internal controls of information technology systems.

Responsibilities of the Director

- The Director represents the Office, the colleges, the Commonwealth, and the auditing profession at all times. Consequently, the Director must always be mindful of his/her actions.
- The Director must maintain a high level of professionalism within the Office. Accordingly, the Director is responsible for providing continuing professional education required by professional standards.
- The Director should prepare a report of Office activities for the Committee on Audit *and Compliance* on a regular basis. This report may be sent to presidents, provosts, vice presidents, and, at the discretion of the Director, others directly impacted by audit findings. The report should be concise with supporting detail available upon request.
- The Director prepares a comprehensive annual work plan based upon judgment and a risk assessment model. This should be discussed with the presidents, provosts, vice presidents, and anyone else the Director deems necessary before the plans are presented to the Committee on Audit **and Compliance** for approval.
- The Director is responsible for the work of all auditors in the Office.
- The Director is responsible for the efficient and effective use of Internal Audit resources.
- The Director is the primary liaison to all external audit entities including the Federal Government and the Commonwealth.
- The Director is responsible for periodic external reviews of the Office, ~~if funds are available~~. These reviews should be performed in accordance with professional auditing standards. A written report should be provided to the Committee on Audit **and Compliance** and the presidents.

Board of Visitors

Resolution 3

February 6-8, 2013

Page 1 of 3

**COLLEGE OF WILLIAM AND MARY
COMPLIANCE PROGRAM CHARTER**

WHEREAS, The Committee on Audit and Compliance oversees the Compliance Program of the College of William and Mary; and

WHEREAS, The proposed Compliance Program Charter (attached) has been reviewed by the Chair of the Audit and Compliance Committee, the President, the Provost, and other College officials;

NOW, THEREFORE, BE IT RESOLVED, That the Compliance Program Charter is approved by the Board of Visitors, effective immediately.

THE COLLEGE OF WILLIAM AND MARY IN VIRGINIA**COMPLIANCE PROGRAM CHARTER**

William and Mary, as a public institution of higher education, is regulated by both the federal government and the Commonwealth of Virginia. The responsibility for compliance with these legal obligations is shared by all members of the university community:

- Employees must obey the laws, regulations, and policies applicable to their university activities, and report illegal or unethical action that comes to their attention.¹
- Supervisors must ensure that employees have the knowledge and skills to fulfill their obligations, and address or elevate reported violations or similar issues.
- Members of senior management must promote a culture of compliance and ethical behavior, and ensure that the university has policies and standards reasonably designed to prevent compliance violations in their areas of operation.

As federal and state laws increase and become more complex, the university has charged the Compliance and Policy Office with the coordination, monitoring and, when appropriate, improvement, of the array of compliance functions. This Office works closely with other offices providing general compliance services, particularly Internal Audit, University Counsel, and Human Resources. To assist employees, the university also has offices and officers with expertise and responsibilities in various compliance areas, such as the Office of Sponsored Programs for compliance obligations arising in the conduct of research, the Environmental Health & Safety Department for workplace safety compliance, and the Assistant Athletics Director for Compliance and Educational Services, for NCAA compliance.

Collectively, these institutional expectations, responsibilities, and services comprise the university's compliance and ethics program. As defined by federal regulations, the program is "reasonably designed, implemented, and enforced" to prevent and detect illegal conduct through "due diligence and the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance with the law."

¹ Code of Ethics of the College of William and Mary.

The Chief Compliance Officer has overall responsibility for the compliance program.² The Compliance Officer, working with senior management and other employees and in close cooperation with Internal Audit, University Counsel, and Human Resources, strives to:

1. ensure that the university has policies and procedures reasonably designed to satisfy existing or new legal obligations.
2. ensure that the university has procedures aimed at detecting and remedying compliance problems and risks, including methods for employees to "report or seek guidance regarding potential or actual" illegal conduct without fear of retaliation.
3. conduct or assist with certain internal compliance investigations and otherwise help management address compliance violations reported or detected.³
4. ensure the university has practices and systems to communicate key policies and other relevant aspects of the compliance and ethics program to affected employees. The Compliance and Policy Office also directly communicates new and proposed policies to the campus community.
5. assist senior management and others promote and enforce the compliance program.
6. assist in identifying and addressing significant compliance risks, for example by conducting compliance gap analyses and risk assessments (including under the auspices of the university's Risk Management Committee) and providing compliance resources and guidance.

The Committee on Audit and Compliance of the Board of Visitors provides oversight of the compliance program. The Chief Compliance Officer reports regularly to the Committee regarding the status and effectiveness of the compliance program, and brings to the Committee's attention significant compliance risks and matters.

² Federal regulations require that a specific, "high-level" individual be given "overall responsibility" for the compliance and ethics program. The Chief Compliance Officer reports to the President and directs the Office of Compliance and Policy.

³ Reported or suspected violations may be investigated by any number of individuals, committees, or offices, under university policies.