

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.
- 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 and financial performance and for protecting the reputation of the university and health system may be identified, and will be addressed with the appropriate level of management.

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 audit and compliance work plans and initiatives.
- Coordinate efforts with other control and monitoring functions (risk management, campus police, university counsel and health system general counsel, external auditors, 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 audit work plan, compliance 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 evidence 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 audit and compliance 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 evaluating these processes or systems during future reviews 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. 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. Cooperation from all university and health system personnel and affiliates is required.
- Have full access to the respective board committee.
- Allocate departmental resources, set audit frequencies, determine scopes of work, and apply the techniques necessary to accomplish audit objectives.
- Obtain the necessary assistance of personnel in departments when audits are performed, 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 best practices as established by relevant authoritative and objective sources from industry and government.

For internal audit functions, this includes the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors. The Standards define auditing as an independent, objective assurance, and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Standards also include a Code of Ethics.

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 and the American Health Information Management Association is also included. These organizations set the standard for professional values and ethics in the health care compliance field.

Quality Assurance

The department will maintain a quality assurance program to evaluate and strengthen its internal audit procedures and performance. A quality assurance program consists of training, supervision, and internal and external reviews.

Internal reviews will be conducted periodically to appraise the quality of work performed. An external review should be performed at least once every five years by qualified individuals who are independent of the internal audit function.