

# PROPOSED EDITS

Additions appear in *boldface italics* and deletions are [~~stricken~~ and bracketed].

## Title 4 - Codification of Board Policy Statements

### Chapter 9

#### NEVADA SYSTEM OF HIGHER EDUCATION INTERNAL AUDIT, FINANCE AND ADMINISTRATION POLICIES

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## **A. Internal Audit Department Charter**

### **Section 1. Nature**

The Internal Audit Department is established as an independent and objective assurance and consulting activity within the Nevada System of Higher Education (NSHE) for the review of operations as a service to management. It assists the NSHE in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organizations risk management, control and governance processes.  
(B/R 3/14)

### **Section 2. Mission Objective and Scope**

The Mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The objective of the Internal Audit Department is to assist all levels of the NSHE management in the effective discharge of their responsibilities, by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. The Internal Audit Department is concerned with any phase of activity where it can be of service to management. This involves going beyond the accounting and financial records to obtain a full understanding of the operations under review. The attainment of this overall objective involves such activities as:

1. Reviewing and appraising the soundness, adequacy, and efficient application of accounting, financial, and operational controls at executive and staff levels.
2. Ascertaining the extent of compliance with established policies, plans, and procedures.
3. Determining whether significant risks appropriately identified and managed.
4. Ascertaining the reliability of management data developed and reported within the NSHE.
5. Recommending appropriate improvements in internal accounting and operations where controls have been found to be malfunctioning, inefficient, or where controls should be instituted and none exist. Appraising the effectiveness of procedures, as modified, to ensure that deficiencies are satisfactorily resolved.
6. Recommending appropriate improvements to systems, processes and organizational structures to provide accurate, timely and reliable financial and operational information.
7. Fostering quality and continuous improvement in NSHE's risk management and control processes. Reporting the results of examinations in a timely manner and reviewing the timeliness of corrective actions.
8. Confirming information technology and data governance supports NSHE's strategies and objectives.
9. Ascertaining whether information security practices adequately safeguard the NSHE data assets and comply with applicable policies and regulations.

10. Sharing information and coordinating activities with other internal and external assurance and consulting service providers to ensure proper coverage and minimize duplication of efforts.
  11. Designing, installing, and operating systems are not audit functions; however, the internal auditor's objectivity is not adversely affected when the auditor recommends standards of control for systems or reviews procedures before they are implemented.
- (B/R 12/16)

### **Section 3. Authority and Responsibility**

The internal audit activity is established by the Board of Regents. The internal audit activity's responsibilities are defined by the Board as part of its oversight role. The Internal Audit Department is provided with authority for full access to all of the NSHE records, properties, and personnel relevant to the subject of review. The Department is free to review and appraise policies, plans, procedures, and records.

The responsibilities of the Department are as follows:

1. Develop a sophisticated internal audit program that will include evaluation of the effectiveness of financial and related operational controls and review of compliance by NSHE personnel with NSHE policies and procedures.
2. Maintain the capacity to:
  - a. Perform audits to independently assess governance, risk management and control processes throughout the NSHE.
  - b. Provide consulting services, with the mutual agreement of the "client", to improve the NSHE governance, risk management and control processes.
  - c. Investigate, as necessary, allegations of improper activities including fraud, misuse of university resources, and unethical behavior or actions. ***The Chief Internal Auditor serves as the clearinghouse for matters requiring his or her investigatory activity and shall establish a mechanism for incident management.***
3. Periodically measure and continually improve the efficiency of internal audit activity by means of a quality control program, effective use of technology, and proactive performance management. Institute appropriate budgetary and cost control over the auditing program.
4. Institute controls to ensure that audit findings have been reviewed with the management responsible for operations of the functions examined; see that findings are presented to management at various levels so as to motivate corrective actions; and arrange for the development of appropriate comments and recommendations for inclusion in periodic condensed reports to be presented to the Board of Regents' Audit ***and Compliance*** Committee.
5. Make available to the independent public accountants working papers, copies of audit reports, and pertinent analyses to aid them in determining the scope of their examination.

Inform the independent public accountants and other outside audit agencies of the internal audit schedule to avoid duplication of effort and to maximize the benefits of the total investment in audit activities.

6. Maintain a staff with the skills, experience and professional certifications to meet the Department's scope of responsibilities and aligned with the NSHE's risks.
7. Recommend changes to policy or required practices to sustain an effective balance between the magnitude of risk, the materiality of failed control, and the cost of compliance.
8. The internal audit activity will govern itself by adherence to appropriate internal auditing standards including, but not limited to, The Institute of Internal Auditors' Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing).
9. Coordinate all activities of the Department with others so as to best achieve the audit objectives and the objectives of the NSHE, including spreading adoption of effective practices and consideration of trends and emerging issues that could impact the NSHE.

In performing its functions, the Internal Audit Department has neither direct responsibility for, nor authority over, any of the activities that are reviewed. Therefore, the review and appraisal activity does not in any way relieve other persons in the organization of the responsibilities assigned to them.

(B/R 12/16)

#### **Section 4. Independence**

***To maximize public accountability, the Chief Internal Auditor shall maintain complete independence from the System Administration and shall have a dual reporting responsibility directly to the Chair of the Board of Regents and the Chair of the Audit and Compliance Committee on all substantive matters. The Chair of the Board of Regents and the Chair of the Audit and Compliance Committee shall provide primary oversight and general direction to the Chief Internal Auditor regarding his or her activities and responsibilities.***

***The Chair of the Board of Regents shall administratively supervise the Chief Internal Auditor, including overseeing all aspects of employment. The Chair of the Board of Regents and the Chair of the Audit and Compliance Committee shall jointly evaluate the performance of the Chief Internal Auditor.***

~~[In order to maintain independence from the System Administration and maximize public accountability, the Chief Internal Auditor reports to the Audit Committee of the Board of Regents for primary oversight and general direction. The Chief Internal Auditor also has a secondary reporting relationship to the Vice Chancellor for Budget and Finance for day-to-day supervision, technical direction, and personal performance evaluation.]~~ In order to maintain objectivity, the Internal Audit Department will not undertake to develop and install procedures, prepare records, or engage in any other activity that it would normally review and appraise, and that could reasonably be construed to compromise its independence. Objectivity shall not be adversely affected by the recommendation of the standards of control to be applied in the development of systems and procedures under review.

Where the Internal Audit Department is expected to have roles or responsibilities that fall outside of internal auditing, safeguards will be in place to limit impairments to independence or objectivity. The Internal Audit Department may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity, and provided individual objectivity is managed when assigning resources to an engagement.

(B/R 12/16)

#### **Section 5. Audit Requests**

The Chief Internal Auditor may determine during the year that an unscheduled audit should be performed. The Chief Internal Auditor will inform the **Chair of the Audit and Compliance Committee** [Chair] of special audits.

The Chair of the Audit **and Compliance** Committee may request an audit be performed based upon specific information provided to the Chief Internal Auditor. If the Chief Internal Auditor is in agreement that the audit should be performed, the audit will be added to the audit schedule. If the Chief Internal Auditor is not in agreement that the audit should be performed, the **Chair of the Audit and Compliance** Committee [chair] may place the item on the next Audit Committee agenda for review and action by the Audit **and Compliance** Committee.

Any member of the Board of Regents may request that the **Chair of the Audit and Compliance** Committee [chair] place a request for an audit on the Audit **and Compliance** Committee agenda. The Chief Internal Auditor will make a recommendation to the Audit **and Compliance** Committee regarding the audit request.

The policy of the Audit **and Compliance** Committee is to only perform special audits based on specific factual information and assessment of risk that would justify an audit.  
(B/R 3/14)

## **Section 6. Internal Audit Plan**

Annually, the Chief Internal Auditor will submit to the [Chancellor] **Chair of the Board of Regents** and the Audit **and Compliance** Committee an internal audit plan for review and approval. Any significant deviation from the approved plan will be communicated to [senior management and] the Audit **and Compliance** Committee. Progress against the approved plan will be communicated to senior management and the Audit **and Compliance** Committee at least every six months.  
(B/R 12/16)

## **Section 7. Reporting and Monitoring**

A written report will be prepared and issued by the Chief Internal Auditor following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results and institution responses will be communicated to the **Chair of the Board of Regents and** [off] the Audit **and Compliance** Committee.  
(B/R 3/14)

## **Section 8. Periodic Assessment**

The [NSHE] Chief Internal Auditor will communicate to the **Chair of the Board of Regents** [Chancellor] and the Audit **and Compliance** Committee on the internal audit activity's quality assurance and improvement program, including results of external assessments conducted at least every five years.  
(B/R 3/14)

## **Section 9. Institution Audit Response Requirements**

1. Time Period for Response. In response to audit findings, institutions at times must adopt new institution policies or amend existing institution policies to address the issues identified in the audit. The adoption of new policies or amendment of existing policies in

response to an audit finding must be completed within 150 calendar days after the audit and institutional response have been discussed at a Board of Regents Audit Committee meeting.

2. Expedited Procedure and Consultation with Faculty Senate. Each institution shall develop a procedure for the expedited adoption of new policy and for the amendment of existing policy to comply with the 150 calendar day requirement set forth above. The institution procedure must include an expedited process for consultation with the Faculty Senate.

(B/R 9/15)



## **B. Finance and Administration Charter**

### **Section 1. Objectives and Scope**

1. Finance and Administration is a part of System Administration. The Chancellor, as Chief Executive Officer and Treasurer of the NSHE, has delegated certain of the financial duties of his or her office, as prescribed by the Board of Regents at Article VII, Section 3, of the By-Laws, to the Chief Financial Officer. The Senior Budget Officer and Director for Banking and Investments for the NSHE report to the Chief Financial Officer.
2. While the primary financial accounting and control functions are maintained at the institutional level, the System through the Chief Financial Officer is responsible for the accurate and timely development and reporting of financial information. The System will ensure the adherence of the institutions to the most recent national financial accounting standards and support continuing internal and external audit reviews of programs and funding.

(B/R 10/96)

### **Section 2. Budget Director: Authority and Responsibility**

Reporting to the Chief Financial Officer, the NSHE Senior Budget Officer is provided with the authority and responsibility for establishing policies and procedures under which the budgetary administration will be conducted.

The NSHE Senior Budget Officer's specific duties will include, but not be limited to, the following:

#### **1. PROMOTE AND COORDINATE INTEGRATED NSHE FINANCIAL PLANNING**

Working with institutional officers, coordinates and assists in the development of a system-wide financial planning process.

- Serves on appropriate committees, coordinates development of the database for planning, and maintains communication with and assures cooperation between all institutional budgetary officials.

#### **2. ASSURES PROPER AND TIMELY BUDGET DEVELOPMENT**

Coordinates and develops system-wide budget development policy, procedure, and budget calendar.

- Budget Policy and Procedures  
Develops and maintains the system-wide budget policy and procedures section of the *University of Nevada Policy and Procedure Manual* for financial accounting.
- Budget Calendar  
Develops and communicates the budget calendar and monitors adherence to calendar deadlines.

- Budget Preparation  
Reviews all budget preparation documents to assure consistency and adherence to State standards. Prepares combined budget request for submittal to State of Nevada officials.

### 3. PROMOTES COORDINATION AND COMMUNICATION WITH STATE OF NEVADA

Promotes coordination and communication with Governor's Office and Legislature concerning budgetary matters.

- Serves as a budget advisor to institutional officials regarding state budget requirements and provides budgetary expertise during budgetary sessions.
- Establishes with State of Nevada budgetary officials a good working relationship and lines of communication.

### 4. ASSURES EFFICIENT AND EFFECTIVE BUDGET CONTROL

Coordinates and develops system-wide budget control policy and procedures.

- Develops and maintains system-wide budget control policy and procedures.
- Assures budget revisions and other actions are in accordance with Board of Regents and State policies.
- Reviews financial accounting information and system to insure system provides adequate budgetary control and timely and relevant information.

### 5. PROVIDE TIMELY BUDGET EVALUATION

Provides budgetary evaluation and assessment to Board of Regents and institutional officers for future NSHE planning.

- Performs post performance review which involves critical analysis of institutional budgets, both quarterly and annually, focusing on the following elements:
  1. Budget versus actual expenditures and revenues.
  2. Identify variances and reasons for variances.
  3. Recommend corrective actions where potential problems are identified.
  4. Inform the Board of Regents of any exceptions that require discussion and further monitoring.
- The institutional business officers will comprise a review committee chaired by the Chief Financial Officer and charged to analyze and advise the Chancellor and other institutional officials on fiscal issues highlighted through the quarterly analysis of budgets.

(B/R 1/95)

### **Section 3. NSHE Director of Banking and Investments**

1. The Director of Banking and Investments for the NSHE is charged with the oversight of a system-wide cash management program and the Board of Regents' Permanent Endowment Funds. Included in the responsibilities are consolidation of the NSHE cash resources, bank relationships, and the placement of cash balances with investment managers in accordance with the Board of Regents operating fund investment policy. A primary responsibility of the Director of Banking and Investments is to preserve the liquidity and safeguard the principal of operating cash while enforcing the Board of Regents Operating Fund Investment Policies. The director will establish a process to assess the performance of investments relative to appropriate standards in both the operating and endowment funds.
2. Operating cash fund investment income is distributed to the institutions based on their respective daily cash balances. The Director of Banking and Investments therefore has responsibility for maintaining accountability for all cash balances so that each institution receives its share of the investment income. However, the institutions remain responsible for identifying their respective cash balances with the identifiable fund groups for the purpose of complying with State and federal Law requiring the distribution of investment income to these funds.
3. All investments of the Board of Regents are required to be held by one or more custodial banks. The Director of Banking and Investments reconciles and accounts for investment assets held by the Board of Regents' custodial bank that includes operating and endowment fund investments. Enforcement of donor restrictions is a matter of trust law and therefore permanent records of all Board of Regents Endowment Fund gifts must be preserved for posterity by the Office of the Director of Banking and Investment.
4. The Director of Banking and Investments assumes responsibility for custody of bond files and reporting restrictive covenants. The NSHE debt policy guidelines covering institutional loans, bonds, leases, and other debt will be administered through the Banking and Investment Office.
5. Title 4, Chapter 10, Sections 5 and 6 define the operating and endowment funds policies and procedures that are monitored by the director of Banking and Investments under the direction/oversight of the Investment and Facilities Committee of the Board of Regents.  
(B/R 2/05)

### **C. Financial Policies: Operating Budgets**

#### **Section 1. Authority**

1. The Board of Regents shall approve annual and biennial state and self-supporting budgets, including associated registration fees, tuition rates, and student fees. They will review budget recommendations made by the Business and Finance Committee. Once the budget is approved, responsibility and authority for all adjustments is delegated as indicated in the following sections.

2. The Board of Regents delegates to its Business and Finance Committee responsibility and authority for:
  - a. Initial review and endorsement to the Board of proposed annual and biennial state and self-supporting budgets, including assessment of Board priorities, student and state revenue, enrollments, and other key components as defined through Board and gubernatorial guidelines, and
  - b. Year-end review of major current year budget revisions and/or transfers, including use of reserves (*unappropriated fund balances*) and excess income over budget.
3. The Board of Regents delegates to the Chancellor responsibility and authority for oversight and management of funds and other resources in accordance with policies stated below – including approval of transfers among funds and budget adjustments within specified parameters. Further, the Chancellor is charged with preparing documents in an appropriate and timely manner that require committee review and/or approval.
4. The Chancellor, in turn, delegates to the President of each System institution responsibility and authority for:
  - a. Ensuring that units function with proper internal control procedures such that all budgets remain balanced and within authorized limits;
  - b. Ensuring that any and all transactions requiring higher level review and/or approval are identified and forwarded in an appropriate and timely manner; and
  - c. Ensuring explanations and documentation of authorized adjustments, transfers, and/or revenue/expense patterns be provided in an appropriate and timely manner to officials for reporting purposes.

(B/R 9/09)

## **Section 2. Financial Policies**

1. Uniform Accounting Policies and Procedures
  - a. The NSHE institutions will implement uniform accounting and administrative policies and procedures as defined by the NSHE. Revisions to the policies and procedures will be considered by all institutions through the Business Officers Council to the Presidents' Council for recommendation to the Chancellor.
  - b. Definitions for all reporting categories will be in accordance with the nationally accepted National Association of College and University Business Officers (*NACUBO*) classification system. Policies concerning review and approval of annual operating budget adjustments are applicable to and will vary within each of the three primary groupings (1) State Operating Budget; (2) Self-Supporting Budgets, and (3) other funds, consisting primarily of federal grants and contracts.

## 2. Reporting

Consistent and uniform quarterly reporting of financial activity is an obligation of the System units to the Chancellor's office. Reporting of exceptions to the Business and Finance Committee will be determined by the Chancellor.

## 3. Self-Supporting Budget Review

All self-supporting budgets exceeding \$250,000 of projected annual expenditure activity will be included in the annual budget process. Fund transfers will not be included in determining whether a self-supporting budget meets the \$250,000 threshold for inclusion in the annual budget process. Excluded from this requirement are grants and contracts and plant, loan, endowment and scholarship funds.

## 4. Budget Revisions

- a. The principle governing the review and approval structure for budget revision shall be that the Chancellor and President of each System institution have authority and responsibility for proper and effective management, thereby enabling and enhancing efficient utilization of institutional resources.
- b. Revisions of self-supporting budgets, excluding revisions between object codes, exceeding twenty-five percent of expenditures for budgets up to \$400,000; or revisions of \$100,000 or greater for budgets exceeding \$400,000 must be approved by the System administration. Institutions must provide plans regarding:
  1. The impacts of the revisions on the affected programs, particularly noting how reductions in personnel and operating expenses will be accommodated for the remainder of the fiscal year; and
  2. What the fiscal and program implications are for subsequent years. The Chancellor will submit to the Board of Regents an annual report detailing the number and type of revisions by institutions that were approved by the System.

## 5. Transfers

- a. The transfer of expenses from non-state to state budgets after May 1 must be approved by the institution President with appropriate supporting justification and reported in an annual summary to the Board of Regents.
- b. The Presidents have authority to transfer funds into or out of each budget subject to policy guidelines of Title 4, Chapter 9(c), Section 2, Subsections 4 and 10, and state appropriation restrictions.
- c. Budget transfers between functions of more than \$500,000 of State Appropriated or Self-Supporting Budget Funds must be reviewed/approved by System Administration. A quarterly report will be provided to the Board of Regents.

## 6. Use of Instructional Funds

Each NSHE institution that provides student instruction and derives instructional funding through the State-Operating Budget must utilize those resources to the greatest extent possible in support of student credit-based instruction. The use of instruction funds for non-instructional purposes must be certified by the institution's President and approved by the Chancellor and Board of Regents prior to budgetary commitment. Approval should be only under the most unusual conditions.

## 7. Scholarship Function

Amounts budgeted by each NSHE institution in the scholarship function shall be approved annually by the Board of Regents as part of the institution's operating budget; provided, however, that in the event that the amount budgeted by the institution is less than the amount funded by the Nevada State Legislature in the scholarship function such amount shall be considered separately by the Board and shall be accompanied by the President's justification for such variance. This provision does not preclude an institution from augmenting the budgeted amounts of the Scholarship function. Any supplemental amounts transferred into the Scholarship function are not subject to the student access guidelines established in Title 4, Chapter 18, and may be reallocated to other functions without restriction.

## 8. Overrides

The controller or equivalent official at each NSHE institution is responsible for the control of override activities within their financial organizations. Overrides of financial transactions are restricted to the controller and those who report directly to the controller. Authority for other personnel can be given on a case-by-case basis. All "level five" financial overrides will be monitored through a System override report. Payroll entries will be monitored on an after-the-fact-basis. Exceptions in specific grant and contracts accounts and non-state budgets may be approved by System Administration.

## 9. Reconciliation of Bank Accounts

Each NSHE institution must have documented procedures detailing the processes regarding reconciliation of bank accounts. Bank reconciliations must be completed and submitted to the Office of Banking and Investments within sixty days of the close of the month.

## 10. Account Control

Each institution should review annually all budget accounts and eliminate those that have been inactive for an extended period of time and where it is unlikely that they will have any future activity. Consolidation of similar accounts should be undertaken to reduce further the number of overlapping and unnecessary accounts. The Board of Regents will review annually a report of the number of accounts that are consolidated or eliminated by institution.

11. Budget to Actual Report

The System Administration will develop annually a report that compares the original budget to actual revenues and expenditures for Self-Supporting Budgets as defined under Policy 3 the review will include all self-supporting budgets that exceed annually \$25,000 in projected annual expenditure activity. The report will summarize and highlight those activities that vary from the original budget by \$25,000.

12. Capitalization Threshold

Capital equipment is defined as those items exceeding a \$5,000 expense threshold and having a useful life of greater than one year.

(B/R 3/18)

**Section 3. NSHE Financial Committees**

The Business Officers Council, comprised of the chief business officers of each NSHE unit, will assess the System financial controls on a regular basis. The Business Officers Council will receive periodically recommendations from a system-wide Controller’s Committee and Budget Officers Committee concerning alternatives in improving financial controls.

(B/R 4/97)

**D. Fiscal Impact Policy**

- 1. Before any proposal before the Board of Regents or any of its committees may be acted upon, a fiscal impact statement must be provided if the proposal is likely to increase any fiscal cost or reduce any revenue to the System in excess of \$25,000 per fiscal year. The fiscal impact statement must be prepared by the institution making the proposal or by System Administration for its proposals or those of the members of the Board of Regents. The fiscal impact statement must be factual and concise in nature and must provide a reliable estimate of the financial effect of the proposal in the current fiscal period as well as future fiscal years.

(B/R 11/00)

**E. Compliance Department Charter**

**Section 1. Preamble**

Higher education is subject to a myriad of compliance obligations. The sources of these obligations include not only federal, state and local laws, rules and regulations, but also industry standards, self-regulating organizations, and internal policies, procedures and control systems. The failure of institutions of higher education to meet this increasingly complex web of compliance obligations can have significant consequences - including administrative fines and penalties, suspension and disbarment from government programs, civil damages, criminal penalties, and general reputational harm. In recognition of these risks, Title 1, Article VI, Section 3 of the *Handbook* provides that the Board of Regents, through the Audit and Compliance Committee, shall (i) formulate an effective compliance function, (ii) provide centralized oversight of a program for compliance, (iii) review and evaluate compliance reports, and (iv) make recommendations as necessary for the correction of non-

compliance. Therefore, the Board does hereby establish the following Compliance Department Charter setting forth policies and expectations with respect to compliance.

(B/R 9/17)

## **Section 2. Compliance Defined**

Compliance means conforming to applicable federal, state, and local laws, rules, and regulations (sometimes referred to as “regulatory compliance”). Compliance also means and includes conformance with industry standards, self-regulating organizations, and internal policies, procedures and control systems (often referred to as “industry compliance”). Compliance also describes the awareness of, and efforts taken to ensure, regulatory and industry compliance. Compliance is an essential function of every institution, unit, and program of NSHE, and is a communal responsibility shared by all employees and stakeholders. The Board of Regents provides oversight of System and institutional compliance efforts and activities through the Audit and Compliance Committee.

(B/R 9/17)

## **Section 3. NSHE Compliance Department**

The Compliance Department is hereby established as part of System Administration. The Compliance Department is responsible for the operation of the NSHE Compliance Program. The Compliance Department shall be administered by a Director of Compliance who shall report on functional matters to the Audit and Compliance Committee and on administrative matters to both the Chief Internal Auditor and the Vice Chancellor for Legal Affairs. Administrative matters include day-to-day management and supervision, technical direction, and performance evaluations.

(B/R 9/17)

## **Section 4. NSHE Compliance Program**

Each institution has primary responsibility for ensuring compliance relative to its activities and for operating an effective compliance program that meets the needs and obligations of the institution. The NSHE Compliance Department supports and supplements institutional compliance efforts and is tasked with the following roles and responsibilities:

1. secondary (System level) oversight of institutional compliance efforts and programs;
2. development of appropriate System level compliance policies, procedures and controls;
3. provide technical assistance as necessary and facilitate the efficient utilization of compliance resources on a System wide basis;
4. review and periodic audits of compliance controls to determine the effectiveness of System and institutional compliance programs;
5. education and training on compliance issues and obligations;
6. communication on compliance issues and risks including providing an independent reporting line through which System and institutional employees and stakeholders can report compliance concerns.

(B/R 9/17)



## **Section 5. Annual NSHE Compliance Plan**

1. The Director of Compliance shall, prior to the beginning of each fiscal year, prepare a plan detailing System and institution activities and areas that will be the focus of the NSHE Compliance Program for the upcoming year (each an "Annual Compliance Plan"). The Annual Compliance Plan will identify areas of potential or emerging compliance risk and identify priorities and goals for the NSHE Compliance Program in the upcoming year. The Annual Compliance Plan will be developed in consultation with the institutions.
2. The Annual Compliance Plan is subject to review and approval by the Audit and Compliance Committee. Amendments and significant deviations to the Annual Compliance Plan must be approved by the Audit and Compliance Committee. However, the NSHE Compliance Officer may conduct unscheduled compliance reviews of System and institution activities outside of the Annual Compliance Plan based on specific compliance concerns that he or she learns about or are otherwise brought to his or her attention.

(B/R 9/17)

## **Section 6. Institutional Compliance Program**

Each institution or unit is responsible for compliance relating to its activities and endeavors and for establishing and maintaining an effective compliance program (each an "Institutional Compliance Program"). No particular form or structure is mandated, however, the following elements of an effective Institutional Compliance Program must be included:

1. integration of compliance considerations and controls into operational policies and procedures;
2. periodic audits or reviews of compliance controls, policies and procedures, and development of corrective action plans, where necessary;
3. compliance training and support provided in a manner that is appropriate and accessible;
4. periodic risk assessments aimed at identifying areas of potential or emerging compliance risk;
5. designation of individuals or committees to provide direction and support on compliance issues, where appropriate;
6. processes that encourage institution employees and stakeholders to report compliance issues and that ensure non-retaliation for those who do so in good faith.

(B/R 9/17)

## **Section 7. Medical and Healthcare Compliance**

1. The healthcare industry is highly regulated and is subject to an increasing complex array of regulatory and industrial compliance obligations. Penalties for non-compliance can be severe and include exclusion of reimbursement from Medicare/Medicaid and private insurers. A robust compliance program is critically important in clinical practice activities in order to avoid erroneous billing and conflicts between patient care and business operations. Therefore, NSHE institutions, units and programs (including affiliated entities, programs, and practice plans) engaged in the clinical practice of medicine or allied healthcare must develop and maintain a written compliance plan for such activities (a "Healthcare Activity Compliance Plan").

2. Each Healthcare Activity Compliance Plan shall address each of the elements described in Section 5 above and designate a person responsible for managing and administering the Healthcare Activity Compliance Plan (a "Healthcare Activity Compliance Officer"). In addition to any line of reporting that exists within the institution, the Healthcare Activity Compliance Officer shall also have a direct line of reporting to the institution President and the NSHE Director of Compliance in order to ensure independence, impartiality, and accountability.
3. Each Healthcare Compliance Plan is subject to review and must receive initial approval by the Audit and Compliance Committee. After initial approval by the Audit and Compliance Committee, a Healthcare Activity Compliance Plan may be amended or updated as necessary to conform to applicable compliance obligations, subject to review and approval by the NSHE Director of Compliance.

(B/R 9/17)

#### **Section 8. NSHE Compliance Department Funding**

1. The NSHE Compliance Department receives funding from a cost allocation model and is based upon the budget approved by the Chancellor and the Chair of the Audit and Compliance Committee. The cost allocation model shall be developed in consultation with the Business Officers Council and should reflect an allocation based on the activities and relative compliance risks of each institution, and the priorities and goals identified in the Annual Compliance Plan.
2. NSHE Compliance Department Funds shall be accounted for separately and are available for expenditure on compliance-related expenditures which include:
  - a. salaries, wages and benefits for appropriate staffing of individuals directly employed in or providing services by the department;
  - b. operating expenses, including travel, directly related to the Compliance Department. This may include expenses that support the administration of the Compliance function (e.g. expenses related to office supplies, software program, membership dues, training and certifications);
  - d. equipment purchases directly related to the Compliance Department;
  - e. professional fees and expenses including consulting costs directly related to compliance activities;
  - f. transfers between NSHE institutions or budget areas for shared Compliance resources or programs.

(B/R 9/17)