

BOARD OF REGENTS
BRIEFING PAPER

Agenda Item Title: *Handbook* Revision – Standing Committees of the Board of Regents
Meeting Date: March 2-3, 2017

BACKGROUND & POLICY CONTEXT OF ISSUE:

The Board of Regents Bylaws contained in Handbook Title 1, Article VI, Sections 1-3 authorize the appointment of standing committees and the designation of their duties. Proposed for the Committee's consideration is a revision to the Bylaws providing for incorporation of compliance into the Audit Committee oversight role.

The current duties of the Audit Committee include reviewing and evaluating internal audit reports, recommending independent certified public accountants to the Board to audit financial records of NSHE, recommending policy changes necessary for the enforcement of sound accounting and auditing practices and internal controls, and making recommendations as necessary to address the correction of deficiencies in management practices as discovered by audit reports.

With the on-going medical school transition and the over-arching risk environment as it relates to medical compliance, one way to provide a standard, consistent, state-wide compliance program is to centralize the function in a shared services model under direction of the Audit Committee. Research shows a number of System Audit Committees around the country also include a "compliance" component (e.g. University of Texas System, University of Georgia System), so incorporating a compliance component is not without precedent. With billing/coding compliance as a source of risk exposure, oversight from a body like the Audit Committee may be the most efficient and effective way to gain coverage.

In conjunction with this incorporation, the name of the committee would be changed to the "Audit and Compliance Committee".

This is the second of two hearings required at regular Board meetings for a change to the Bylaws. The first reading occurred at the December 1, 2016 Audit Committee meeting. A two-thirds vote in the affirmative is required to amend the Bylaws of the Board.

SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

Revise the charge of the Audit Committee to incorporate a compliance component. Change the committee name to the "Audit and Compliance Committee".

IMPETUS (WHY NOW?):

With multiple medical schools, as well as a number of auxiliary functions requiring this type of medical/billing/coding compliance around the System state-wide, the revision of the standing committee will increase coverage and oversight in a key risk area in an efficient and effective manner.

BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:

- The revision of committee charge will increase the efficiency and effectiveness of Board oversight related to audit and compliance activities through a collaboratively defined approach to manage risk.
- Centralizing the compliance function with Audit Committee oversight provides reporting lines that maximize public accountability and enhances communication with the Board and management.

POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:

The present Board standing committee allows the Board to effectively oversee and manage risk.

ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:

Leave the current standing committee in place and de-centralize the compliance program(s).

COMPLIANCE WITH BOARD POLICY:

- Consistent With Current Board Policy: Title #____ Chapter #____ Section #____
- X Amends Current Board Policy: Title #_1_ Article #_VI_ Section #_3a_
- Amends Current Procedures & Guidelines Manual: Chapter #____ Section #____
- Other:_____
- Fiscal Impact: Yes____ No____
Explain:_____

POLICY PROPOSAL
TITLE 1, ARTICLE VI, SECTION 3
Standing Committees and their Duties

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

ARTICLE VI - Committees of the Board

Section 1. Authority

To facilitate consideration of the business and management of the University, standing and special committees shall be established as provided herein. Unless otherwise specifically delegated and except as otherwise provided herein, authority to act on all matters is reserved to the Board, and the duty of each committee shall be only to consider and make recommendations to the Board upon matters referred to it.

Section 2. Appointment

Except as specifically provided in section 3 below, the appointment and composition of standing committees and the powers of their members are set forth in this section. The members of a standing committee, its chairman and vice chairman shall be appointed by the Chairman of the Board from among the members of the Board. A standing committee shall consist of no fewer than three and no more than six persons, except for the Investment Committee which shall consist of no fewer than four and no more than six persons. Notwithstanding the composition of a standing committee as noted herein, the Board from time to time may elect to make any of its standing committees a committee of the whole. Upon the recommendation of a standing committee, the Board may additionally appoint a public member to the standing committee. The public member shall be advisory to the standing committee and shall have no vote. The Chairman of the Board may be eligible as a member of the standing committee, but may not serve as its chairman. The members of the standing committee shall serve terms of one year or until the first organizational meeting of the Board following the committee members' appointment.

Section 3. Standing Committees and their Duties

The following shall be the standing committees of the Board and their duties:

- a. The **Audit and Compliance Committee** shall:
 1. Review and evaluate internal audit reports, ***compliance reports***, and follow-up reports;
 2. Recommend to the Board independent certified public accountants to audit the financial books and records of the NSHE and review and evaluate the reports of such independent certified public accountants;
 3. Formulate and make recommendations to the Board regarding policies necessary for the enforcement of sound accounting/~~and~~auditing practices ***and an effective compliance function***;
 4. Evaluate and make recommendations on internal controls; and
 5. Make such recommendations, as it deems necessary for the correction of deficiencies in management practices discovered by audit reports, ***or for the resolution of issues pertaining to non-compliance with***

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policies, procedures or other requirements.

- 6. Provide centralized oversight of programs for compliance with policies, procedures and other requirements.***
- 7. Monitor the performance of the internal audit and compliance functions.***
- 8. Review the respective Internal Audit Charter and Compliance Charter on a periodic basis to ensure the functions are complying with professional standards and addressing emerging issues appropriately.***