Committee Governance: Leading Engaged and Effective Compliance Committees.

June 2013

John Sideras
Boyd Kumher

Case Western Reserve University (CWRU)

- About CWRU
  - Located on 155 acres in Cleveland Ohio's University Circle area plus a 389-acre farm located in Hunting Valley, Ohio.
  - Carnegie classification: Research Institution
  - Full-time faculty: 2,972 (Fall 2011)
  - Staff, full and part-time: 3,402 (Fall 2011)
  - Headcount, all programs: 9,636 (2011)
    - Representing 50 states and 91 countries

About the presenters

John Sideras has been Senior Vice President and Chief Financial Officer of CWRU since May, 2008. Prior to joining CWRU, Sideras was President and Chief Executive Officer of The MetroHealth System (Cleveland, Ohio). He previously held a variety of finance/administrative executive positions with The Cleveland Clinic Foundation, University Hospitals of Cleveland, St. John West Shore Hospital and St. Luke's Medical Center (Cleveland, Ohio). Sideras holds a B.S. in B.A. from John Carroll University, a M.B.A. from the University of Colorado and is a Certified Public Accountant in the state of Ohio.
About the presenters

Boyd Kumher has been CWRU’s University Compliance Officer since August, 2010. Prior to joining CWRU Kumher was the Privacy and Associate Compliance Officer for The MetroHealth System in Cleveland Ohio. His past experience also includes administrative positions in risk management and clinical research. Kumher holds a B.S.N. from Kent State University and a M.B.A. and a M.P.M. from the Keller Graduate School of Management.

There is no monument dedicated to the memory of a committee. — Lester J. Pourciau

Definitions

- Compliance Committee
  - A group of people within an organization that have been appointed or have volunteered to work together in order to analyze, achieve, maintain, and or monitor some element of compliance for the organization.
- Governance
  - To sway, guide, or control.
They sit there in committees day after day, and they each put in a color and it comes out gray. And we all have heard the saying, which is true as well as witty, that a camel is a horse that was designed by a committee. - Allan Sherman

Know Your Committee

- Effective governance begins with first understanding:
  - Committee’s purpose.
  - What is the committee’s mission statement?
  - How does this committee fit into your compliance program?
    - Is it policy directing or does it support the coordination of certain compliance activities?
    - Is it a task force or a standing committee?
    - Who does it report to?
    - Do other committees report back to it?

To get something done, a committee should consist of no more than three men, two of whom are absent. — Robert Copeland
Committee Membership

- Staffing the compliance committee:
  - Are members appointed, volunteers, or a mix?
  - What subject matter expertise is essential?
  - Do members need to be influential within their departments?
  - Is counsel necessary for legal guidance and or legal privilege?
  - A purpose for every person on the committee.

Mission Statement

- Creating a mission (or purpose) statement
  - What is the need that committee exists to address?
    - Example: The Case Western Reserve University Compliance Committee supports the coordination of the compliance activities across the university by assessing compliance risks, reviewing updates on compliance developments and best practices, and monitoring ongoing progress in key compliance areas.

- Another example:
  - Purpose Statement For Case Western Reserve University Americans with Disabilities (ADA) Committee: The purpose of the ADA Committee is to continually assess, benchmark, and apply ADA standards in assisting CWRU in becoming a leader in disability best practices related to ADA.
If Columbus had an advisory committee he would probably still be at the dock. — Arthur Goldberg

Committee Work Plan

• Charting a course; Developing a committee work plan.
  • Refer back to the committee’s mission statement.
  • List objectives that support the mission.
  • List the challenges to accomplishing each goal.
    • Resources
    • Time
    • Cost
  • Prioritize, assign responsibility and deadlines, form necessary work groups.
  • Plan to hold accountable.

Muddle is the extra unknown personality in any committee. — Anthony Sampson
Building Momentum

- Strategies to build committee momentum.
  - Use collaborative discussions.
    - Sense of belonging.
    - Creates atmosphere for collaborative learning (co-construction of knowledge).
    - Fosters appreciation for multiple perspectives.
  - Seek out low hanging fruit.
  - Acknowledge, list, and report committee accomplishments.

A committee can make a decision that is dumber than any of its members. — David Coblitz

Committee Chair

- The role of the Committee Chair
  - The Committee Chair guides the committee to meet its own expectations of itself.
  - Assesses committee plans and actions to insure alignment with the committee’s mission statement.
  - Ensures the effective use of the committee’s number one resource – the time of the committee members.
  - Takes the initiative to hold committee members accountable for their deliverables according to the committee’s work plan.
Meetings are indispensable when you don’t want to do anything – John Kenneth Gabraith

Tips for Effective Meetings

• Tips for running effective committee meetings.
  • Agenda
  • Minutes
  • Problem solving
  • Planning
  • Time between meetings
  • To meet or not to meet
  • Education

Tools for Managing Committees

• Tools available at www.case.edu/compliance
  • Action plan template
  • Work plan template
  • Work plan dashboard template
Audit Committee Charter Intro

- When was the last time your audit committee’s charter was updated?
- Does the charter define specific roles? Chief Compliance Officer?
- Is the charter tailored to higher-education or your unique characteristics?
- Has the committee updated its charter for current risk factors in compliance?

Committee Charter

Purpose
The audit committee oversees proper external review of the not-for-profit audited financial statements, as well as the organization’s risk management to include monitoring the internal control environment. Each member shall be free of any relationship that, in the opinion of the board, would interfere with his or her individual exercise of independent judgment.

Source:

Annual Risk Assessment

- Opportunity for Training
- Review recent organizational events
- Industry hot topics
- Cross-industry risk trends
- Organization risk inventory
- Organization risk tolerance/priority
Work plan Objectives

- Risk assessment informs the annual work plan
- Promote “tone from the Top”
- Promote a stronger internal control
- Promote continuous improvement
- Promote coordination and continuity of resource
- Required projects
- Strategic projects
- Ad Hoc projects
- Unplanned projects

Sample Work Plan

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Information Systems reviews</td>
<td>20%</td>
</tr>
<tr>
<td>Business Process Reviews</td>
<td>50%</td>
</tr>
<tr>
<td>Special Projects</td>
<td>10%</td>
</tr>
<tr>
<td>Administrative/Mgt. activities</td>
<td>10%</td>
</tr>
<tr>
<td>Follow up reviews</td>
<td>10%</td>
</tr>
</tbody>
</table>

* Agendas should be strategically tied to the committee’s annual work plan.

Agenda Objectives

- Reflect committee work plan
- Reflect committee charter and scope of responsibility
- Include planned, routine reports
- Include ad hoc special reports
- Recap of hotline activity
- Include executive session for committee discussion
- Include executive session with key executives
What is a Committee Executive Session?

- Best practice is an executive session at every meeting
- Only committee members with possibly invited guest
- Minutes usually not recorded
- Creates a setting to encourage members to speak more honest & open
- Provides a ‘safe harbor’ for more sensitive matters
- May preclude media for some governmental units for selected matters

Subject Matter Experts

“Financial Expert”

- The SEC rule describe an individual may not be considered a financial expert solely on the virtue of prior service as an audit committee member.

- An individual must have acquired the attributes as an expert through education, certification, professional experience such as public accounting, auditing, controllership or similar functions.

Required Coordination

- External Auditors
- Internal Auditors (in-sourced, co-sourced, out-sourced)
- Compliance Officer
- General Counsel
- Chief Financial Officer
- President
- Others: HR, Special Counsel
Standby Agreements for Professional Services

- Pre-negotiated professional service agreement
- May include hourly rate, response time, scope of services, standby fee
- Consider: type of services, competencies, potential conflicts, depth of resource, payment terms, reporting structure, process to approve statement of work, etc.

Data recovery/duplication    Forensic accounting
Investigative services      IT forensics
Regulatory matters

Framework of Rebuttable Presumption

The documentation of the authorized body should include the terms of the transaction and the date of its approval, the members of the authorized body present during the debate and vote on the transaction, the comparability data obtained and relied upon, the actions of any members of the authorized body having a conflict of interest, and documentation of the basis for the determination.


Eight Habits of Highly Effective Audit Committees

1. Create and adhere to a written charter.
2. Specify competencies members must possess.
3. Identify core values and establish written procedures and promote.
4. Reserve the right to invite any group to AC meeting.
5. Ensure all members actively participate.
6. Formulate decision-making process and resolve stalemates.
7. at the beginning of each meeting review prior meeting’s highlights.
8. At the end of each meeting, summarize it.

Source: Journal of Accountancy, September 2007, Marrow & Pastor
Audit Committee Resources

AICPA Not-for-Profit Audit Committee Toolkit

AICPA makes the individual tools from the AICPA Audit Committee Toolkit for Not-for-Profit Organizations toolkit available to not-for-profit organizations free of charge as a public service.

http://www.aicpa.org/InterestAreas/BusinessIndustryAndGovernment/Resources/NotForProfitResourceCenter/Pages/AICPANot‐for‐ProfitAuditCommitteeToolkitDownloads.aspx